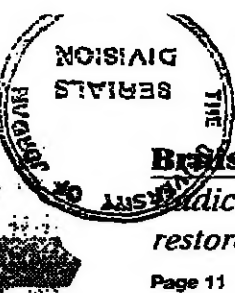




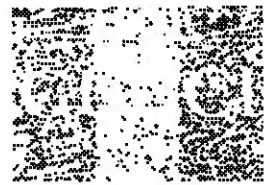
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FINANCIAL TIMES

MONDAY, AUGUST 2, 1993

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G7 prepares for showdown with Russia on reform

The Group of Seven industrialised countries and leading international financial institutions believe Russian reforms may not survive the present period of political uncertainty and are preparing for a showdown with the Russian government after the summer holiday season.

One diplomat in Moscow said yesterday: "The reformers in the cabinet presently look weak and isolated, unable to move." Sergei Shakhrai, a deputy prime minister and a close aide to President Boris Yeltsin, said the basic institutions of authority were paralysed. Page 12

Albert succeeds Baudouin: King Baudouin of Belgium, who died of a heart attack in Spain on Saturday aged 82, will be succeeded by his brother, Prince Albert, 58. The crown had been expected to pass to Prince Albert's son, Prince Philippe. Page 12

Demjanjuk's deportation blocked



Israel's Supreme Court, which last week cleared John Demjanjuk (left) last week of being "Ivan the Terrible", the gas chamber operator at Treblinka during the Holocaust, has blocked his deportation to his native Ukraine while it considers whether he can stand trial for other alleged war crimes. His departure was challenged on the basis that he was a guard at other camps.

Asahi Glass, the leading Japanese maker of glass products, reported an 11.7 per cent fall to ¥20.05bn (\$190m) in pre-tax profit for the first half to June, as sales of glass and construction materials slipped in tandem with private construction orders in Japan. Page 15

12 die in crash: Twelve people were killed and eight injured when an express train crashed into their farm trailer as they crossed the tracks near Urziceni, in southeast Romania.

Iti, Italy's state holding company, will postpone until at least September the sale of Cirio-Bertolli-De Rica, the canned food division of its foodstuffs group, SME, claiming the bids received were inadequate. Page 15

Aid for co-operatives: The Japanese government is to provide ¥19bn (\$180m) to help restructure Osaka Fumin Credit Co-operative. The move is another sign of official concern about deteriorating public confidence in some smaller financial institutions. Page 15

Fresh Microsoft probe: The anti-trust division of the US Justice Department is to review documents relating to the business practices of Microsoft, the world's largest computer software company, following the failure of the Federal Trade Commission to agree on the case after a three-and-a-half year investigation. Page 2

Kurdish kill 17: Guerrillas belonging to the separatist Kurdistan Workers Party, armed with rocket launchers and automatic weapons, killed 17 paramilitary police commandos in east and southeast Turkey, security officials said yesterday.

Northwest Airlines, fourth largest US carrier, suffered a \$135.2m after-tax loss for the second quarter after taking a charge of nearly \$100m linked to its financial restructuring. However John Daburg, president, said the company now had one of the most competitive cost-structures of all US airlines. Page 15; Qantas Airways chief executive to resign, Page 15

Banesto: A dramatic increase in provisions to Ptas2.4bn (\$377m) brought pre-tax profits for the Spanish commercial bank down to Ptas7.7bn, an 82.6 per cent drop on the 1992 first half figure of Ptas33bn. Page 15

Aetna Life & Casualty, one of the largest US composite insurers, turned in improved results for the second quarter but said its earnings remained unsatisfactory. Page 15

Specialist Computer Holdings, one of the UK's largest independent computer sales companies, is to invest about £40m (\$62.2m) in launching a nationwide chain of computer super-stores. Page 13

BAT Industries, Anglo-American tobacco and insurance group, would consider taking a majority stake in the tobacco operations of Seita, the French state-owned tobacco monopoly, following its privatisation. Page 14

Gold rush: London investors are being asked to provide £9m (\$13.3m), and possibly £94m, for a gold mining venture in the newly-independent republic of Kazakhstan, formerly part of the Soviet Union. Page 14

Nafta under attack: US labour leaders, environmentalists and the "Perotists" supporting ex-presidential candidate Ross Perot have signed a declaration of war against the North American Free Trade Agreement. Page 2

Deutsche Bank in Treuhand deal: The Treuhand, charged with privatising eastern German industry, has sold a portfolio of businesses to Deutsche Bank, which will restructure and attempt to sell them. Page 13

Trade plea: The emergent economies of central and eastern Europe and the European Free Trade Association countries should make less of their "EC-manias", and focus more instead on their increasingly important bilateral relationship, says leading trade economist Richard Baldwin. Page 2

EC holds crisis talks in struggle to save ERM

By Peter Marsh and Lionel Barber in Brussels and agencies

EUROPEAN Community finance ministers were last night fighting to save the European exchange rate mechanism, examining options ranging from making the embattled system more flexible to suspending its operating rules.

At an emergency meeting in Brussels, ministers and central bank governors from the 12 EC states focused on ways to widen the ERM's existing fluctuation bands for its eight member currencies, including the ailing French franc. Other options being pursued included a change in the rules obliging intervention by central banks to buy weak currencies, or allowing some or all the currencies to float.

The efforts were interpreted as a bid by EC governments to buy time in a desperate effort to reassure financial markets that the mechanism has a future.

The meeting was reported last night to have set itself a deadline of midnight Brussels time (10pm GMT) because of the opening of the Tokyo foreign exchange. Suspension of the ERM rules was described as a "last resort".

Ministers were trying to forge a compromise aimed at avoiding a politically humiliating devaluation for the French franc while avoiding a confrontation with the Bundesbank over interest rate policy.

THE ERM IN CRISIS

Page 4

- War of words in press
- Inflationary flames fuelled
- Swimming against tide

Samuel Brittan, Page 10; Observer, Page 11; Lex, Page 12; Capital markets, Pages 16-17

On Saturday, after more than six hours of deliberations, the EC monetary committee proved unable to resolve these tensions. There was no evidence yesterday of any overt pressure on Mr Helmut Schlesinger, president of the Bundesbank, to force a wholesale reduction of borrowing rates in Germany. Lack of a move in this direction by the German central bank last Thursday triggered two days of unprecedented selling of weak ERM currencies - including the French and Belgian francs, Danish kroner, Spanish peseta and Portuguese escudo.

Yesterday's talks instead seemed to focus on reforming the 14-year-old ERM. However, an Irish official that the talks were "extremely fluid". A Spanish ministry official said that, apart from the ideas related to currency bands and intervention

rules, "other options were not entirely off the table".

Mr Philippe Maystadt, finance minister of Belgium, which holds the rotating EC presidency, was last night holding bilateral talks with individual member states to discuss the remaining options.

Of these, widening the fluctuation bands would give the system more flexibility, but a possible drawback is that financial markets could be encouraged to test the wider limits and so make the system less more secure.

The ERM's bands prescribe the margin individual currencies can fluctuate around the D-Mark. They allow currencies to move 2.25 per cent around their central D-Mark rate - exceptions being the escudo and peseta, which have wider bands of 6 per cent.

Another factor is that a widening of the limits could also be interpreted as an effective devaluation of the weak currencies and, in the case of France, an abandonment of the current fixed parity link with the D-Mark.

One possibility on changing the rules for intervention is that the obligation of the Bundesbank to support fragile ERM currencies could be reduced as a way to stem the large losses on these operations incurred by the German bank in the past year.

It was unclear last night whether these options would satisfy financial markets that the ERM could be given a new lease

London dealers in vigil as Far East markets open

By James Birt in London

FOREIGN exchange dealers in London were preparing last night for an unusual out-of-hours trading session as they waited for European Community finance ministers to decide on the future of the exchange rate mechanism.

London currency dealers were poised to make prices in Asian trading time. Such trading is usually limited to the night of a UK general election or a US presidential poll.

The ministers' meeting in Brussels

was expected to have a powerful effect on today's trading in currencies, bonds and equities. The overwhelming view in the London market was that the selling of the French franc would only stop this week if France announced substantial cuts in interest rates.

"People have been selling the franc because they believe that France's interest rates are too high," said Mr Paul Chertkow, global currency strategist at Union Bank of Switzerland in London. "The selling will only stop if France reduces them to 4 per cent by the end of

the year." The French intervention rate stood yesterday at 6.75 per cent.

A broad cut in rates, including the German discount rate, would trigger a rally on European bond markets, not only in France, but also in Belgium and Italy, which would benefit from the reduction in borrowing costs to fund their deficits.

Some dealers believed that the continuing crisis in the ERM could be staved off for a few weeks if there was a realignment, or a widening of the French franc's fluctuation band against

the D-Mark. But few believed that this stood yesterday as a long-term solution, even if it was accompanied by modest cuts in German and French interest rates.

Some dealers thought a suspension of the system was the most likely outcome, allowing Europe to cut short-term interest rates, and letting Europe's currencies float for the first time in 14 years.

But dealers were uncertain whether the market would buy or sell a freely floating franc. Dealers believed the franc would depreciate against the D-Mark in the short term as France cuts interest

rates. But others thought the franc could appreciate above the FFfr3.40 level against the D-Mark because of France's strong trade and current account position.

Mr Eric Fishwick, an analyst at IBJ International in London, said that the end of the ERM could trigger the start of a long-term move out of the D-Mark into other European currencies and the dollar.

"Take the system away, and you are left looking at Germany's fundamental economic weakness," he said.

Border talks begin on Bosnian republics

By Laura Silber in Geneva

INTERNATIONAL mediators in Geneva pressed on yesterday with the ethnic partition of Bosnia as Muslim president Alija Izetbegovic appeared to admit defeat by his Serb and Croat enemies.

Fierce fighting raged in the former Yugoslav republic as representatives of Bosnia's Muslims, Serbs and Croats met under UN auspices to try to hammer out agreement over the borders for a new "union" of three ethnic republics.

Under a news blackout, the peace mediators, Lord Owen and Mr Thorvald Stoltenberg, were understood to have tried to put pressure on Mr Radovan Karadzic, the Bosnian Serb leader, to hand over land to Bosnia's Muslims, who control just 10 per cent of the republic's territory.

Mr Karadzic at the weekend offered to cede 15 per cent of the 72 per cent of the republic controlled by Serb forces, but there appeared to be no tangible concessions in the talks.

The international mediators have set a target of 30 per cent of the land for Muslims, a figure they see as a reasonable minimum for the functioning of a viable state.

Mr Izetbegovic endorsed ethnic partition at the weekend. "Compared to what was planned for

us, I hope that we fared rather well because we survived," he told Sarajevo radio.

As he negotiated with the Serbs and Croats, snipers shot dead three people and wounded another five as they tried to escape from Sarajevo - which has been under a Serb siege from the surrounding hills for 16 months - by running across the UN-controlled airport, said UN officials.

In a sign that a settlement would fuel the "map-war" between Muslims and Croats, Bosnian radio reported intense fighting in central and northern Bosnia as the mainly Muslim forces tried to secure more territory.

Sarajevo radio said Serb forces launched an offensive around Zvornik and Doboj in northern Bosnia. "The Zvornik front is a veritable inferno today... the free Zvornik territory is in flames," the radio said. Serbian media said a Muslim infantry attack was repulsed in Doboj.

Meanwhile in Croatia's Dalmatian hinterland, Serb rebels began shelling a strategic bridge 16 hours after the expiry of a deadline for handing it over to UN control.

At the talks in Geneva, a Serb

Christopher to hold talks on ceasefire

By Roger Matthews in Washington, Mark Nicholson in Beirut and Julian O'Sullivan in Jerusalem

MR Warren Christopher, the US secretary of state, prepared to set out for the Middle East yesterday as Israeli tanks and troops crossed back into northern Israel and thousands of Lebanese refugees began the trek back to villages bombed for a week.

Mr Christopher, who is due in Egypt today before travelling on to Syria, Jordan and Israel, will be trying to strengthen the fragile ceasefire in southern Lebanon, reached over the weekend, and seeking to revive the stalled peace negotiations between Israel and its Arab neighbours.

US officials were in no doubt about the difficulties faced by Mr Christopher and the extent to which his task had been complicated by the week-long Israeli attacks on Lebanon which killed more than 130 civilians, wounded at least 500 and drove an estimated 250,000 people from their homes.

The ceasefire, which came into effect on Saturday after a series of telephone calls by Mr Christopher to the region's leaders, held

Continued on Page 12
 Israel's hopes rise, Page 3

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NEWS: INTERNATIONAL

How López agonised over rival tugs on his heart

By Christopher Parkes

THE PLOT of the all-action espionage drama involving two of the world's top automotive groups seemed in danger at the weekend of dissolving into a tear-jerker.

According to a meticulous diary of events kept by Mr Jens Neumann, Volkswagen's personnel director, on March 13 he phoned Mr José Ignacio López de Arriortúa, who, four days earlier, had signed a contract to join VW from General Motors.

Mr López was not at home, he was told. But then he came to the phone to explain that four GM directors had just left. They had begged him to stay because otherwise General Motors would go bust and 400,000 families would lose their jobs. "He said he was prepared to stay," he

asked Mr Piëch to forgive him; he was a broken man," according to extracts from Mr Neumann's diary.

His notes were presented in evidence last week to Darmstadt prosecutors investigating GM's suspicions of industrial spying against Mr López, and released by VW at the weekend. While the parts of his evidence published threw no light on the burning issue of whether Mr López and his associates systematically plundered the US group's secrets before joining VW, they illuminated the bizarre tug-of-war which preceded the spying charges.

Mr Neumann's notes contain the only points of detail so far to emerge on which evidence from the two sides does not clash substantially.

On the evidence of the extracts,

Mr Jack Smith, GM president, was fighting to keep Mr López even as the US group announced that he was to leave. At 11.30am on March 12, Mr López called Mr Neumann to say Mr Smith had turned on the emotional pressure, allegedly saying he would be sacked if he let the Basque engineer go to Germany.

According to raw notes taken on Saturday March 13 by Mr López's former PR aide, Ms Toni Simonetti, and read out in a Hamburg court recently, Mr López was visited in Detroit on the evening of Friday, March 12, by Mr Smith, Mr Richard Wagner, finance director, and Mr Harry Pearce, GM's legal brain.

They "spoke to me like a father and two brothers... we made a mistake not to understand your vision... we want to learn from

our mistakes... that broke my heart," Mr López said, according to Ms Simonetti's notes. They continued: "A different GM first ever the big company can have soul warm and can love for each other..."

Mr López has repeatedly denied dictating these words, intended for a speech due to be delivered on Monday, March 15, to explain to GM employees why he had, after all, decided to stay in the US.

Back in Mr Neumann's diary, an entry dated at 11.00am on the day Ms Simonetti allegedly took down the outline speech, Mr López was on the phone to Germany again. He had told Mr Smith there was no way back, he could not leave VW in the lurch. "The word of a Basque cannot be broken".

After another call at 4.30pm the

same day, when Mr López had apparently broken, changed his mind again and asked for the VW chairman's forgiveness, there were two more calls in which Mr López was offered and accepted a compromise from Mr Piëch. He could stay at GM, and join VW in a year.

On Sunday March 14, the vacillating Basque called Mr Neumann. He would try to set GM to rights within a year and then reconsider his position. He had not slept for four nights, he said. He was back on the line the next day. The US group wanted to lock him into a five-year contract as president of GM North America, but his "heart and mind belonged to Germany, and he had a clear vision for Europe," according to Mr Neumann.

Within minutes, Mr Piëch was on

the phone to his "very unhappy" director-to-be. "This strengthened his resolve to fly to Germany today. He needs him now," the notes said. Half an hour later Mr López and his family were on the way to the airport.

Mr Neumann's published extracts ended: "March 15, 1993, 10am: I collect Mr López from Braunschweig airport and bring him to the supervisory board meeting which has already started."

In Detroit, on the advice of Mr Pearce, the office of the Basque had been searched in vain for secret documents. The fruitless hunt was under way for more papers, pictures and files, alleged to have been assembled by his closest colleagues. The spying drama was about to begin.

Car groups' spying dispute set to enter decisive stage

By Christopher Parkes in Frankfurt

THE investigation of General Motors' spying allegations made against senior Volkswagen employees will enter a decisive stage this week with the expected return to Germany of key witnesses.

Public prosecutors will be able to step up their questioning and are expected soon to call Mr José Ignacio López de Arriortúa, GM's former global purchasing director, and three associates who GM says systematically plundered industrial secrets from the US group and its European subsidiaries before defecting to VW in March.

The four former GM employees and most of their VW colleagues have been away during the traditional works

holiday period.

Mr Ferdinand Piëch, the German concern's chairman, will also press his initiative for background talks with Mr Jack Smith, president of GM, with-out prejudice to the legal case, VW said.

Mr Piëch, who made contact last week in what was seen as a damage limitation exercise, will telephone Mr Smith again today or tomorrow, VW said.

The VW chairman's public attack on GM last week, hinting at a conspiracy to pervert the course of justice, was widely criticised as ill-judged. It sparked appeals for "moderate language" from government ministers concerned at the damage being done to Germany's reputation.

Mr Günter Rexrodt, federal economics minister, offered to act as a mediator between the

two sides after Mr Piëch's

accusations of mud-slinging and his declaration that the case was a war in which the US concern wanted to destroy his company.

Meanwhile, Mr López denied in a statement further claims in the weekly magazine Der Spiegel that "secret" documents from a meeting in Germany on March 10, the day after he signed a contract to work with immediate effect for VW, were shipped at his request to his home in Uribe, northern Spain.

This conflicts in part with allegations last week from Adam Opel, the US group's German subsidiary, that local staff, unaware of his new job, fulfilled his requests for "internal" Opel data which were presented at the meeting to be sent to Spain.

According to Der Spiegel, Mr López had earlier asked for nine cartons to be sent to the Uribe address. The boxes, weighing 150kg, were reportedly sent on February 22.

In his statement at the weekend, issued on his behalf through VW, Mr López said he had asked "at an earlier" point for books, magazines and personal documents from his Opel office to be sent to Uribe.

According to evidence presented to prosecutors last week but released by VW at the weekend, a VW director claimed Mr López was subjected to emotional pressure from Mr Smith to try to keep him at the US group in March.

Mr Smith allegedly pleaded with him to stay, warning that GM would go bankrupt if he left, and that Mr Smith would be sacked.



A Bosnian Serb soldier rests with his Bugs Bunny mascot on top of a tank during a halt in fighting between Muslim and Serb forces in the north of the country.

Three-year fight to win hearts of US public reaches climax

Nafta foes fight on the cheap

By Nancy Dunne and Lisa Bransten in Washington

IN California, labour leaders, environmentalists and the "Perotists" supporting Mr Ross Perot have signed a Declaration of War against the North American Free Trade Agreement. The site of the signing ceremony in Sacramento sent a warning to the city's congressmen.

Mr Bob Matsui, one of the leading proponents of Nafta in the US House of Representatives. In Washington state, Nafta opponents wrote alternative menus for a dinner given for Mr Rufus Yerxa, the Deputy US Trade Representative. These featured the potential chemical content of the dishes if the free trade pact becomes a reality and allegedly toxic-laden Mexican produce flows into the US.

Anti-Nafta crusaders drove caravans through Tennessee,

California and Texas to mobilise opposition. Equipped as information centres, the vans cruised from town to town showing films and slides of the environmental degradation in Mexico.

With just a shoestring budget - no more than \$200,000 a year in cash - Nafta foes have worked for three years to win the hearts and minds of the American public.

Nafta's US proponents - mostly the business community - are spending millions, bypassing the voters, to convince Congress to pass Nafta.

An NBC/Wall Street Journal poll released last week showed 31 per cent of all Americans in favour of the pact, a slight increase from previous surveys, while 29 per cent are opposed. However, 60 per cent believe Nafta will cost American jobs.

Although the Clinton administration weeks ago said it would appoint a "Nafta czar" to shepherd the pact through Congress, it has yet to announce it has found anyone to take on the task. By contrast, the opposition has an "anti-Nafta czar" in place and making speeches around the country.

He is Mr Jim Jontz, a former Indiana congressman. Nafta foes have pooled their meagre resources to provide him with a campaign office, and field legislative directors. Forty-one states have been organised, and every two weeks the organisers hold long conference calls to plot strategies.

Nafta foes around the country say their protests have persuaded congressmen to back away from support of the deal. One California gubernatorial hopeful, Ms Kathleen Brown, has been stalked by demonstrators, who even follow her

to fundraising events.

According to Mr Craig Merriam, director of California's Fair Trade Campaign, Ms Brown has expressed doubt about the pact, along with the rest of the state's Democratic establishment. With a 9.5 per cent official unemployment rate and more job loss to come from the closure of military bases, opposition to the Nafta "is not a hard sell in California," he said.

With the expected conclusion this week of the talks over side agreements on labour and environment, both sides are preparing to crank up their lobbying efforts.

The opposition is not awaiting an announcement of the details, said Ms Lori Wallace, one of the opposition's leaders. The side pact will be "silly," she said, "it's the same old Bush Nafta with the supplemental used to create a fig-leaf."

Microsoft faces new investigation

By Louise Kehoe in San Francisco

THE anti-trust division of the US Justice Department is to review documents relating to the business practices of Microsoft, the world's largest computer software company, following the failure of the Federal Trade Commission to agree on the case after a three-and-a-half year investigation.

The move represents a setback for Microsoft because it had appeared that the FTC was hopelessly deadlocked on the issue and that the investigation might soon end. The company declined to comment, saying that it has not been officially notified of the review.

The review also moves the issue into the political arena and could test the Clinton administration's tougher stance on anti-trust enforcement. If the Justice Department finds evidence of anti-competitive activity, it will have to decide whether the public interest is served by taking action against one of the most successful high-technology companies in the US.

The Justice Department will review the thousands of documents amassed by the FTC. The commission has reached deadlock twice this year on whether to proceed against the software company, with the latest vote taken last month.

Two commissioners voted in favour and two against issuing a complaint. A fifth commissioner excused himself from the case, claiming a conflict of interests.

Microsoft's competitors allege that the company has attempted to raise false concerns among customers that its Windows program does not work properly with operating system programs sold by competitors. There are also complaints that Microsoft's program-licensing methods are designed to exclude competitors.

Microsoft, which has repeatedly denied any wrongdoing, last week accused rival Novell, a leading supplier of software

for PC networks, of attempting to stir up trouble for its own benefit. Throughout the FTC investigation "nothing has come up that causes us the slightest concern," said Mr Bill Gates, Microsoft chairman.

"The only issues that seem to be active... have been promoted very heavily by Novell," he said. "We're disappointed by the way that Novell is pursuing this." Novell's goal, he charged, "is to get us to raise our prices... so that they can compete more effectively."

Novell, which has actively lobbied for anti-trust action against Microsoft, said that it had been contacted by the FTC and co-operated with the investigation.

E Europe 'should focus more on bilateral trade'

By David Dodwell, World Trade Editor

THE emergent economies of central and eastern Europe (CEE) and the European Free Trade Association countries should make less of their "EC-manias", and focus more instead on their increasingly important bilateral relationship, a leading trade economist argues in a paper published last week.

This relationship is likely to account for a quarter of their trade growth in the decade ahead, the economist says.

Mr Richard Baldwin, professor of economics at the Institut Universitaire des Hautes Etudes Internationales in Geneva, acknowledges that the sheer size and proximity of the European Community means it is likely to remain the main magnet for trade growth in the decade ahead for the EFTA and eastern European countries.

But he predicts that double-digit import growth in the eastern European economies could soon mean they

account for 20 per cent of EFTA's exports to the enlarged Europe - and vice versa.

For the CEEC, the sum of exports to EFTA countries and trade within the CEEC area is forecast eventually to account for about half of all their trade. He notes that the 100m people living in the CEEC area already have a combined GDP almost as large as the GDP of EFTA's 32m population.

As a result, he calls for an eastern enlargement of EFTA as being in the interests of both EFTA and CEEC exporters - and preferable to early EC entry, where he notes "the economic and political marginalisation implicit in the bilateral trade deals signed with western Europe".

He also warns that the explosive growth of the CEEC for western Europe's exporters cannot continue indefinitely without more openings for their exports. This is endorsed by the Amex bank in its latest review, which notes that a 25 per cent jump in CEEC exports to the EC (from \$3bn to \$4bn a

year) "would have little impact on the EC, accounting for just 0.2 per cent of EC imports".

Mr Baldwin predicts that EFTA exports to the CEEC have the potential to grow at more than 10 per cent a year "for decades". Assuming the CEEC can reach an average GDP per capita equivalent to 70 per cent of the EC average by the year 2020, he says their economies will grow at least twice as fast as those of the EC.

For EFTA countries, export growth to the region will be four times faster than export growth to the EC. "While the base on which this growth is taking place is fairly small compared to exports to western Europe, the rates are so much higher that the CEEC markets are estimated to be an important source of EFTA export growth."

The Potential for trade between the countries of EFTA and Central and Eastern Europe by Richard Baldwin. Published by European Free Trade Association, Geneva. Tel: (4122) 749 1111.

'The Big Hustle' goes for gold in the 1996 Olympics

Atlanta is confident it is equal to the daunting task of staging the games, writes Barbara Harrison

THE extravaganza of the summer Olympics usually takes place in well-known cities, such as Barcelona, Seoul, Los Angeles, and Moscow, to name the last four. But in 1996 Atlanta, the ninth largest US city, will host the games and it sees the event as its ticket to international recognition.

Atlantans intend the games to bring not only world fame, but foreign investment and a physical transformation of the city. If these seem ambitious goals, take into account that the best-known characteristic of this city, sometimes derogatorily called "The Big Hustle", is self-promotion.

But after lengthy self-congratulation following its award of the games in 1990, Atlanta now seems awestruck by the scope of what it must

accomplish to mount the 16-day spectacle. Nonetheless, Mr Billy Payne, the irrepressibly exuberant Atlanta lawyer and native son who heads the private organising committee called the Atlanta Committee for the Olympic Games (Acog), is brimming with confidence. Atlanta will stage the games, he says, "better than anyone ever has."

With respect to his committee's budget needs of \$1.5bn, Mr Payne's confidence seems well founded. The US television rights for the Atlanta games were sold on July 27 to NBC for a record \$456m. The final bid for the network came in unexpectedly high given that it recorded a loss of \$100m on the Barcelona Olympics, for which it had paid \$401m.

But with projections that this will be the largest audience in history for

any Olympics, NBC officials appear confident that they can make a profit. Although Mr Payne had once predicted he could get \$900m in TV rights, he said he was pleased with the agreement. Of the \$456m fee, 60 per cent, or \$274m, will go to Acog, with the remainder to the International Olympic Committee.

Atlanta, the American South's business capital, is only the second city in history - after Los Angeles in 1984 - to raise funds for the games entirely from the private sector. After television rights, the next biggest contributor to Acog's budget is corporate sponsorships. Unlike Los Angeles, which sold some 35 at about \$1m each, Acog wants 10-12 sponsors at \$40m a piece.

Surprisingly, in an economic climate that can hardly be called

robust, five companies have already signed on for the full \$40m, namely Nationsbank, Home Depot, Sara Lee, IBM, and Anheuser-Busch. John Hancock Financial Services has also signed on to promote its life insurance, but two other insurers are expected to fill the insurance category for a total of more than \$40m, according to Mr Payne.

He says several companies will share the telecommunications category and also bring in more than the normal sponsor fee. He claims negotiations with sponsors for cars and quick service restaurants are in the final details. Chrysler and McDonald's have been past sponsors of the US Olympic Committee, which has combined efforts with Acog for 1996 and will take 30 per cent of the sponsor fees.

Yet, while Acog's financial picture "looks extraordinarily favourable," according to Mr Payne, the bigger picture for Atlanta is not so rosy.

There are worries that Atlanta will not measure up to world standards on amenities. Although it does not have to build infrastructure, its downtown has little life for pedestrians and virtually closes after business hours. Visitors may also shudder at the poverty of the dilapidated neighbourhoods where the main Olympic venues will be located.

A \$500m facility is planned that includes walkways and parks. This is down from an original wish list of \$2.5bn, but beyond a request to the state for \$200m, and it is unclear where the rest of the money will come from. The city has pledged not to put itself in debt for the Olympics.

City improvements are the financial responsibility of local government. But Acog, which is handling Olympic venues, has been caught up in conflicts about the impact on the predominantly black neighbourhoods where its venues will be.

Acog's construction of a \$209m Olympic stadium, which will be the city's centrepiece for 1996, is, for example, opposed by residents who contend it will not deliver the promised economic development.

Meanwhile, true to the city's reputation for being pushy, the business community has latched on to the Olympics as a chance to win new investment. By the end of this month, the Chamber of Commerce will launch a three-year worldwide TV advertising campaign on CNN International to promote the city.

IN BRIEF

S African township clash kills 30

AT LEAST 30 people were killed in a South African township clash, overshadowing efforts to woo black and white conservatives back to democracy talks. Reuters reports from Johannesburg.

Residents and police said fighting began when hostel dwellers, most of them members of the Zulu-dominated Inkatha Freedom party, attacked nearby homes.

Street battles raged on for most of Saturday night, resulting in the death of at least 30. A family of four, including a five-month-old baby, perished.

Tembisa residents, most of them supporters of the African National Congress, said the attack was unprovoked.

The violence flared as the ANC and the government were making last-ditch efforts to get Inkatha, the KwaZulu homeland and the pro-apartheid Conservative party back to democracy talks.

More than 530 have died since negotiators confirmed the April 27, 1994 election date.

Warning of Caracas revolt

One of Venezuela's two leading candidates for the presidency warned at the weekend that the country was moving close to another military uprising, Joseph Mass reports from Caracas.

The statement, made by Mr Oswaldo Alvarez Faez, candidate for the Christian Democrat Copei party, came after two weeks of rising tensions in Venezuela caused by a rash of bombings in the capital, press reports of a stillborn military rebellion and new rumours of military discontent.

The most recent bombing took place on Saturday when an explosion damaged the headquarters of Fedecamaras, Venezuela's largest association of industry, commerce and finance. Incidents up to now have involved relatively small explosive devices.

The authorities have not identified the terrorists, but government officials say that unidentified "extremists" are attempting to create political instability and block national elections scheduled for next December.

Algeria signs gasoline deal

Bechtel of the US concluded over the weekend a contract worth \$306m (\$204.6m) with Sonatrach, the Algerian state hydrocarbons company, for the construction of part of the pipeline linking the Maghreb with Europe. Our Foreign Staff writes from London.

Israel blocks deportation

Israel's Supreme Court, after clearing Mr John Demjanjuk last week of being Russia's death camp guard "Ivan the Terrible", blocked his deportation to Ukraine yesterday while considering if he can stand trial for other war crimes. Reuters reports from Jerusalem.

A five-judge court acquitted Mr Demjanjuk. Yesterday a separate three-judge panel, acting on a complaint by two Israelis, gave government prosecutors seven days to show why Mr Demjanjuk should not be investigated anew based on allegations that he was a guard at other Nazi camps.

The discussion will resume in 10 days. In seven days the attorney-general will submit his arguments, and he won't be deported until then, presiding judge Mr Shlomo Levin said.

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Barrage jolts PM's dream for Lebanon

MR Rafik al-Hariri, Lebanon's prime minister, yesterday itemised the physical damage to his country wrought by nearly seven days of heavy Israeli bombardment: 128 people killed, of whom eight he says were Hizbollah fighters, 470 injured, 300,000 refugees, 10,000 houses in the south destroyed and 20,000 houses or apartments damaged.

The human cost of the barrage is self-evident. The economic costs are only now being tallied. The Health Ministry reckons it will cost at least \$25m for immediate humanitarian relief. Mr al-Hariri, who made his multi-billion dollar fortune in the construction industry, says it will cost around \$900m to rebuild the broken villages.

This alone, even given the \$500m pledged by Arab League states over the weekend to be split between reconstruction and strengthening the Lebanese army, will further burden a country that had just begun to heave itself towards reconstruction, after a 17-year civil

war have begun to repatriate their wealth, private deposits in local banks have risen 13 per cent in the past five months.

But even before Israel's bombardment, some Lebanese investors and contractors were starting to grumble about the pace of progress. "It's really a lot slower than I expected," says Mr Jo Mehtar, one Lebanese engineer who returns from 15 years' exile in the US to set up a construction company to exploit the rebuilding programme. "I've achieved 20 per cent of what I thought I would."

Mr al-Hariri, however, remains undaunted. "Yes, the rebuilding programme has been delayed," he said in an interview. "By exactly one week." And he seeks to deflect the suggestion that the seven-day bombardment might have shattered confidence, by arguing that Lebanon's political resilience in the face of it demonstrated a new national unity. "If this had happened two years ago," he says, "the country would have fallen apart. Now we have a government where all the Lebanese are behind it."

Indeed, the manner in which the country united in opposition to the raids, and in its efforts to deal with the humanitarian crisis, surprised and impressed even local commentators. Christian and Moslem-owned news media stood firmly behind the government throughout the crisis, while Christian activists raised money for the Moslem refugees. "There is a great sense of unity," says Mr Mshlawi, "in contrast to the 1982 Israeli invasion."

war which ruined swathes of Beirut, countless villages and itself left perhaps half a million homeless.

But the greatest immediate cost to Lebanon may be the damage Israel's bombardment has inflicted on confidence - the most vital ingredient in the prime minister's eight month old effort to put the country back on its feet. "Definitely this has jolted confidence in Lebanon," says Mr Tewfik Mshlawi, a local journalist, "and has undermined considerably Hariri's hopes and ambitions - it's a great blow to him."

The dream of restoring Beirut, and indeed Lebanon, as a magnet for Middle Eastern banking and trade, has rested squarely on the hope that other Lebanese will follow Mr al-Hariri's own fierce belief in his country, which the businessman-turned-politician is undertaking to back with millions of his own dollars, and bring themselves and their wealth back home.

This dream, enshrined in Mr al-Hariri's showpiece \$13bn, ten-year, Horizon 2000 redevelopment project, required faith enough. For a country with GDP of only \$3.5bn and a budget deficit for the first five months of this year of \$300m, raising the sums for Horizon 2000 always looked ambitious. There has been some success: international donors have already pledged \$1.35bn towards specific projects and, as a sign that diaspora Leban-

'Security zone' withdrawal seen as way to peace

By Mark Nicholson in Beirut

IF Israel's aim was to destroy Hizbollah with its seven-day bombardment, then it failed, according to Mr Rafik al-Hariri, Lebanon's prime minister. He said the only way to end any threat from the pro-Iranian group was for Israel to commit itself to withdraw from its self-declared "security zone" in south Lebanon.

After such a commitment, and even before actual withdrawal, Lebanon and Israel could set up a joint security committee for the south and address the question of security in north Israel, Mr al-Hariri said.

In an interview with the FT, he said: "The Israelis give us two options," adding: "Either we disarm Hizbollah and risk entering into a civil war because Israel is still occupying the country, or Israel destroys our country. But there is a third option - that they commit to withdraw from south Lebanon, then there will be no need for resistance against them."

Mr al-Hariri's remarks follow government statements that it could not act against Hizbollah while the group had the legitimising "political cover" of Israel's presence in the 15km "security zone" in south Lebanon. Neither, officials said, could the govern-

ment publicly oppose any acts of resistance against Israeli targets within that zone.

The government is aware it must do nothing to risk reigniting the sectarian fighting that consumed the country in its 17-year civil war. But officials understand the threat Hizbollah poses both to the Middle East peace process and, potentially also, to the newly united Lebanese government itself.

The government believes, however, that a strengthened Lebanese army could contain any threat of attacks against northern Israel, but only if the Israelis commit themselves to withdraw.

Under the ceasefire "understanding" that silenced Israeli guns on Saturday, Hizbollah has apparently undertaken to cease Katyusha rocket attacks into Israeli territory - the pretext for Israel's bombardment. Hizbollah will also be restrained by the knowledge that further attacks would bring a powerful Israeli reprisal which could, in turn, draw considerable hostility against them from the thousands of refugees now streaming back to their battered villages.

Syria, which has 35,000 troops in Lebanon, has clearly been decisive in obtaining the ceasefire "understanding", under what appears to have been considerable US pressure.

Agreement to end bombardment may help revive Mideast peace process

Israel's hopes rise after ceasefire deal

By Julian Ozanne in Jerusalem

ISRAEL'S government was quick yesterday to claim success for its seven-day bombardment of southern Lebanon aimed at curbing rocket attacks by Arab guerrillas against the country's northern towns.

However, as Israel continued withdrawing tanks and troops from its self-styled security zone in southern Lebanon after a US-arranged ceasefire at the weekend, Israeli politicians and military officials were left wondering how solid any gains will be in the long term.

Despite severe international condemnation and the threats posed to the already stalled Middle East peace process by Israel's devastating onslaught against Lebanese civilians, optimistic Israeli politicians and analysts believe they can turn the crisis into an opportunity.

Much depends on the details of the secret deal arranged by Mr Warren Christopher, US secretary of state, and the reaction of Arab states to Israel's

latest military action during Mr Christopher's current visit to the region.

For its part, Israel believes the unwritten agreement involving Syria, Lebanon and Israel can pave the way to a more permanent and durable solution in the Middle East.

What is known about the deal is that Israel has ceased its offensive in return for vague assurances that Syria will rein in the pro-Iranian Hizbollah guerrillas and Lebanon will increasingly restrict the Islamic militia - demonstrated yesterday as the Lebanese army mounted increased checkpoints on roads into the south, stopping cars carrying armed Hizbollah.

But the agreement does not provide for the disarming of Hizbollah or an end to their attacks against Israeli troops and their proxies in the security zone and so leaves the underlying security issues unresolved.

In the short term Israel claims it has stopped Katyusha rocket attacks from Hizbollah and has committed the governments of Lebanon and Syria to

restrict Hizbollah's ability to launch further attacks.

For their part, Lebanon and Syria have halted a military onslaught that threatened to destabilise Lebanon and derail the considerable gains made by the nine-month-old Lebanese government towards a restoration of law and order, security and economic rehabilitation.

It is also immediately clear that the hand of President Hafez al-Assad of Syria has been strengthened. Last week US President Bill Clinton praised "Syrian restraint" during the Israeli operation and even Israeli leaders have softened to the man who has been their enemy for more than a quarter of a century.

Gen Ehud Barak, chief of staff, said: "President Assad is a tough and bitter rival but we can't ignore the fact that he is a very serious, responsible and highly reliable leader."

The new-found Israeli praise for Mr Assad has fuelled speculation that the ceasefire agreement could have deeper aims than merely stopping the latest conflict and be the start of a broader agreement capable of



Israeli troops, deployed in civil defence and rescue operations, celebrate the ceasefire

reviving the moribund Middle East peace process. Certainly this is Israel's hope.

"This is a deal which is the first of its kind between the triangle of Israel, Syria and Lebanon," said Mr Eytan Manor, foreign ministry spokesman. "If it holds, it can create an atmosphere of wheeling and dealing between the three sides which could break the deadlock in the talks."

But the deeper details of the deal remain obscure. Israeli commentators believe Mr Assad has extracted a price for

his "restraint" which involves, as a minimum, a US promise to consider favourably removing Syria from the blacklist of countries which support terrorism - opening the way to US finance and investment.

After 20 months of talks the peace process remains deadlocked and each side accuses the other of stalling. Israel says Mr Christopher will focus his visit on how to unblock this deadlock and use the unwritten ceasefire agreement as a springboard to speed up Syria-Lebanon-Israeli talks.

Israel hopes that Mr Christopher will have emerged with enhanced status by chalking up his first success as a peace broker in the Middle East and that he will step up US involvement in the peace process, make bolder initiatives and bring all sides closer to an agreement.

Mr Yossi Beilin, deputy foreign minister, said the ceasefire agreement deal should be conducive to peace because Mr Christopher had opened new channels of communication between leaders in the region.

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NEWS: THE ERM CRISIS

Newspapers wage a war of words

By Christopher Parkes in Frankfurt, John Riddling in Paris and agencies

PARIS is a mistress which Bonn can no longer afford to keep, the *Die Welt* am Sonntag newspaper suggested yesterday. The relationship endangered the stability of the German currency, it claimed.

In a signed editorial under the headline "Ritual", the conservative Hamburg-based Sunday newspaper warned Chancellor Helmut Kohl to resist any appeals from France for renewed solidarity or an acceleration towards a mini-monetary union centred on the franc and D-Mark.

"Acceptance of such or similar wishes from Paris by the chancellor would attack the Bundesbank from the rear," it said. The German central bank well knew that a second currency union within five years would mean the end of the D-Mark's stability.

In France, however, the press pointed the finger of blame for the latest ERM crisis at Germany - particularly the Bundesbank - and at "Anglo-Saxon" speculators. The targets reflect a fraying of relations with France's closest ally and a belief that France differs from the UK and the US in its economic principles.

The quality French newspapers were careful to draw the distinction between the German political and monetary authorities, acknowledging it was the decision by the Bundesbank not to cut its principal interest rate last week which brought about the ERM's most serious crisis.

"The members of the Bundesbank council are acting like provincial managers," said *Le Figaro*. "The EMS is built around the D-Mark, those who guard the key currency also have international responsibilities."

In the popular press, the distinction between Bonn and the Bundesbank is blurred and the criticism becomes sharper. "By putting the interests of greater Germany first, the Bonn government has isolated itself," says *Le Quotidien*, the right-

wing daily. "It has already lost its friends and tomorrow the consequences of this Prussian obstinacy may seriously jeopardise its own prosperity."

Die Welt am Sonntag, meanwhile, said the grounds for Mr Jacques Delors' recent proclamation that the French franc could soon replace the D-Mark as the lead currency in the European monetary system could only be found by using psychiatric methodology.

The editorial's author, Mr Harald Hotz, an old Brussels

hand, referred to the "trauma" in the early 1980s when Mr Delors, now president of the European Community and then French finance minister, sought three franc devaluations within 18 months.

In Italy, a front-page editorial in *Corriere della Sera* said Germany had in effect given up its European leadership role when the Bundesbank put national interests before those of the EC and refused to cut its discount rate.

"The leadership of a system

implies that a country is willing and able to take account of the interests of member states and subordinate its national interests to these."

In contrast, many German editorials underlined the enduring popular obsession in the country with monetary stability - a condition in which the Bundesbank consistently enjoys more popular credibility than the government or European union.

The Sunday edition of the *Frankfurter Allgemeine Zei-*

tung went beyond the central bank's normally muted statements: a glance at German inflation and money supply figures would show further interest rate cuts were "forbidden".

The French press believes UK and US attitudes towards currencies are also a factor behind the ERM's troubles.

"The war between the international speculators and the central banks is a shock between two cultures," said *Le Monde* in an editorial. "One is inspired by a more continental, dirigiste, ideal."

In the Anglo-Saxon view, says *Le Monde*, currencies are simply commodities. For the French, however, who subscribe to the "continental" ideal, a currency is a measure of value within a nation and is not like other goods. Currencies must, in this view, be assured a certain stability.

For *Le Monde* and other French newspapers this differing perception helps explain why international currency traders, dubbed "Anglo-Saxon speculators", have attacked the European exchange rate mechanism. Hostile to a fixed currency system, the speculators have bet that the French economy cannot sustain the high level of interest rates which would be needed to fend off their assault.

For *Le Figaro*, the motives of the speculators are deeper. "The currency traders are in favour of universal free trade. They are hostile to a European protectionism concerning GATT of which they suspect France of being a conspirator."

Politicians usurp the technocrats

By Lionel Barber in Brussels

THERE was a sense of history unfolding in Brussels yesterday afternoon as finance ministers trooped into offices near the empty shell of the Berlaymont, former headquarters of the European Commission.

The presence of the politicians - who were noticeably absent nine months ago when sterling and the lira crashed out of the exchange rate mechanism - showed that this time everyone grasped an essential truth. The latest crisis was too important to leave to the technocrats alone.

At stake was the future of European monetary co-operation based on a Franco-German axis, and the more elusive goal of European monetary union.

On Saturday, after more than six hours of deliberations, the technocrats of the EC monetary committee had been unable to reach agreement on a plan to save the ERM.

The impasse underlined unresolved tensions between France and Germany over the Bundesbank's refusal to lower short-term interest rates.

Germany called for both the monetary committee and ministers' meetings in the hope that a decisive action plan could be endorsed at the highest level among the 12 member states, before financial markets reopened today.

The EC monetary committee - comprised of senior central and Treasury officials - discussed several options for defusing the ERM crisis. But according to informed sources, officials could only agree to the principle that the European monetary system and its exchange rate grid had to be preserved.

European monetary officials said France's determination to resist a devaluation of the franc had increased pressure on the Bundesbank to lower short-term rates after its largely technical move on Thursday.

The broader French strategy seemed aimed at forcing Bonn to make a choice: either to break publicly with its traditional ally in Paris, or to twist arms at the central bank to lower the key discount rate.

Germany's decision to call the emergency meetings reflected these conflicting political pressures. But it also pointed to Bundesbank worries that unilateral intervention on behalf of the French franc risked an inflationary bludgeoning of Germany's money supply, as during last September's ERM crisis which led to the forced exit of sterling and the lira.

The EC monetary committee

discussed all available options for easing the crisis. All contained significant drawbacks and are believed to include:

□ A suspension of the ERM for a limited period. The attraction of an "extended vacation" for the EMS currencies from the ERM grid was that it would prevent France losing face; it would introduce much-needed flexibility into the system; and it could be defended as the best chance of restoring economic growth in the EC through lower interest rates.

But allowing currencies to float would jeopardise the single market and would amount to a grievous blow to the Maastricht treaty's goal of European monetary union by the end of the century.

□ The forced exit of several currencies from the ERM, including the franc. This might make practical sense, as it would almost certainly allow France and Spain to lower interest rates. But it would encourage talk of a "two-tier" ERM, undermining France's 10-year policy of maintaining parity with the D-Mark.

□ A deal involving a devaluation of the franc in return for a cut in the German discount rate. This would be a significant climbdown for the Bundesbank, but analysts recalled that a similar political trade-off last September involving a cut in German rates in return for a devaluation of the lira failed to prevent the Black Wednesday crisis.

□ A widening of the fluctuation bands within the ERM beyond their current level of 2.25 per cent (excluding the Spanish peseta and Portuguese escudo).

This would avoid an official devaluation of the franc but would amount to a *de facto* depreciation, which was counter to the franc fort policy. It might also be dismissed as a *ruste à buy time*.

As ministers and officials laboured yesterday to come up with a convincing deal it was clear the outcome would have profound political and economic repercussions for the European Community.

If the Bundesbank agreed to a discount rate cut, this would amount to a humiliating public U-turn. How such a retreat would play before the German public - and the German constitutional court which is currently reviewing the Maastricht treaty - was another matter.

On the other hand, a French devaluation and/or a suspension of the ERM would be viewed as a devastating blow to European monetary co-operation.

Swimming against economic tide

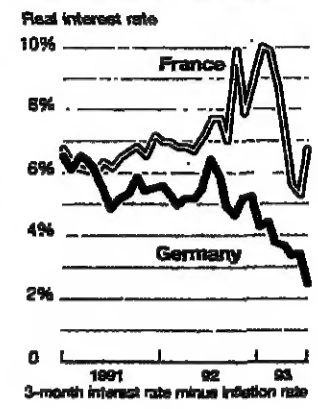
AMID the turmoil and confusion of the past few days, one fact emerges ever starker: politics and diplomacy can no more resist the logic of international economic forces than King Canute could turn back an incoming tide, writes Edward Balls.

But the willingness of Europe's leaders to blame "speculators" for the crisis suggests the politicians themselves have yet to take this fact on board.

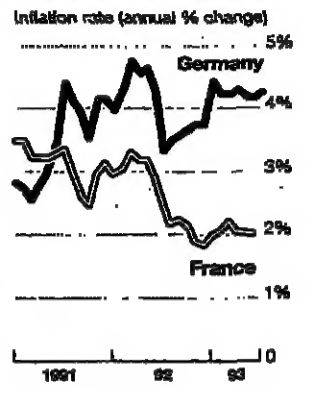
Yesterday's comments from Mr Mogens Lykketoft, Danish finance minister, were typical. "The government and the central bank is in total agreement that we, under no circumstances, will let those who speculate against the crown win," he said in a newspaper interview. "My opinion is that we can resist the speculators indefinitely."

The EC's central bank govern-

France pays the price...



...for Germany's inflation



nors are also inclined to blame the markets. "In an environment of full freedom of capital movements," they wrote in April, "massive speculative exchange rate pressures may arise even in a situation when

central parities are backed up by sound and stable domestic economic conditions."

But Europe's problem is not excessive speculation. The international investors are selling the French franc, the

exchanges in August and September, although M3 growth was boosted for several months.

So far the bank has been slow to mop up the excess liquidity, worried that to do so too promptly would send the wrong signal to foreign exchange markets. According to Ms Alison Cottrell, international economist at Midland Global Markets, swift sterilisation may have been interpreted by foreign exchange dealers as a sign that the Bundesbank was anticipating further intervention.

Ms Cottrell believes the Bundesbank will act to tighten liquidity some time in the near future. In the meantime, the domestic German economy is so depressed that while the Bundesbank can wave goodbye to its M3 targets, it does not have to worry about the inflationary pressures of the vast amounts of D-Marks flooding the system.



MR Kenneth Clarke, Britain's chancellor of the exchequer (pictured above on arrival in Brussels), was seeking yesterday to play the honest broker between the warring factions in continental Europe as finance ministers met, writes Peter Marsh in Brussels.

There were suggestions in the Belgian capital that he would use the UK experience to offer a constructive way out of the exchange rate mechanism impasse, perhaps by suggesting that other countries follow Britain's lead and

allow currencies to float outside the system, so allowing lower interest rates. There have been signs of an upturn in the UK economy since Britain left the mechanism last September.

However, the chancellor was thought to be keen not to alienate Germany and France. He said the UK would be "helpful" and wanted "a sensible solution" that would assist European recovery.

Mr Clarke faces domestic pressure to lower base rates, held at 6 per cent since January.

Bank may have fuelled inflationary flames

By Emma Tucker, Economics Staff

THE Bundesbank's decision to leave its discount rate unchanged last week was justified on the grounds that domestic inflation needed to be kept under control. But by refusing to ease monetary policy, the German central bank may have created a new inflationary problem for itself.

The unprecedented levels of intervention by the bank to prop up the franc - which slipped to its floor in the exchange rate mechanism after the decision - mean that the German authorities now face a sharp jump in the money supply, which could lead to higher inflation in the long term.

An estimated DM50bn (\$19.4bn) was spent by the bank on Friday alone, money that was not previously in circulation. The expectation that the extra D-Marks in the economy will further expand Ger-

many's already fast-growing money supply is more acute now than it was last autumn.

The estimated DM50bn of intervention over two days during this crisis compares with DM90bn used over two months at the end of last summer. As a result German M3 growth will creep upwards, as it did then, although the Bundesbank will try to "sterilise" the impact of extra liquidity.

Sterilisation occurs when monetary authorities offset extra domestic liquidity created through foreign exchange operations by withdrawing liquidity from the system, usually by issuing government debt. According to Mr Thomas Mayer of Goldman Sachs, the merchant bank, no lasting impact on the domestic economy results from intervention, provided it is sterilised at some stage.

The Bundesbank successfully sterilised the impact of its intervention on the foreign

exchanges in August and September, although M3 growth was boosted for several months.

So far the bank has been slow to mop up the excess liquidity, worried that to do so too promptly would send the wrong signal to foreign exchange markets. According to Ms Alison Cottrell, international economist at Midland Global Markets, swift sterilisation may have been interpreted by foreign exchange dealers as a sign that the Bundesbank was anticipating further intervention.

Ms Cottrell believes the Bundesbank will act to tighten liquidity some time in the near future. In the meantime, the domestic German economy is so depressed that while the Bundesbank can wave goodbye to its M3 targets, it does not have to worry about the inflationary pressures of the vast amounts of D-Marks flooding the system.

D-Mark remains the investors' choice

THE *FRANC FORT* policy has become the victim of its own success. The European exchange rate mechanism was supposed to be the route to low inflation. But the irony of last week's turmoil was that the currencies the markets were selling - the French franc, the Danish krone and the Belgian franc - were under pressure because their inflation rates are currently too low. If any country deserves to be punished for veering off the low inflation road, it is Germany and not France. So why should French virtue be so badly rewarded?

The reason is that the D-Mark remains, at least for now, the ERM's anchor currency. And being the anchor of a system of semi-fixed exchange rates, such as the ERM, means setting the interest rate floor. The ERM's current problem is that this floor, while appropriate for inflation-troubled Germany, means dangerously and unsustainably

high real interest rates for the low inflation countries.

But hold on: theory suggests that the anchor ought to be the country which, on average, has the lowest inflation rate. Because inflation is expected to erode the anchor currency's value less than the other currencies, investors will accept a lower return for holding it.

The first chart shows why the D-Mark was the clear anchor for the system during the first decade of the ERM's existence. During the years 1978-87 German inflation was by far the lowest of the member countries at an average of 3.2 per cent a year. Consumer prices in France rose more than twice as fast over the period, with an average annual inflation of 8.5 per cent.

Three years after German reunification, however, this argument no longer seems to apply. In June 1993 German inflation stood at 4.3 per cent: the highest of all the countries

in the ERM's northern "core". If low inflation is the prime qualification for the anchor currency then, by rights, Denmark and Ireland should now share the honour.

Yet the Danish and Irish finance ministers have made no such claims, while the French finance minister, who suggested the franc could be the new ERM anchor, has been punished by the markets for what now seems a piece of grand hubris. Mr Theo Waigel, Germany's finance minister, this weekend reaffirmed the D-Mark's continuing and vital role as the ERM anchor.

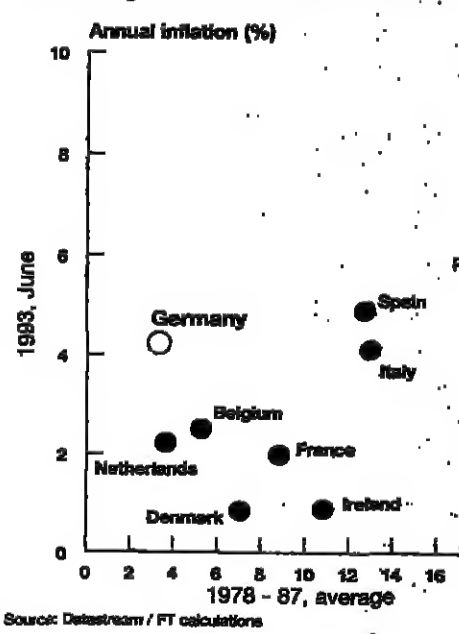
How can Mr Waigel still make this claim? The explanation is that a country's long-term inflation prospects are what matter to investors when they are evaluating a currency's relative risk and return. The right-hand chart measures the markets' long-term predictions for inflation in all of the ERM countries as implied by the yield on long-term

government bonds. It is easy to see why Germany was judged by far the best low inflation bet during the first decade of the ERM. But, despite Germany's current problems, the Bundesbank's reputation for delivering low inflation remains intact. Only the Netherlands has a marginally lower long-term bond yield than Germany: 6.4 per cent compared with 6.6 per cent.

So, for all Germany's current difficulties, investors do not think that future German inflation will remain higher than in other ERM countries. Whether the D-Mark will remain the anchor currency will depend on whether the Bundesbank's high interest rate policy succeeds in bringing German inflation under control. If that is, there is still an ERM for it to anchor.

Stephanie Flanders and Edward Balls

Germany: still the ERM anchor?



INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are in index form with 1985=100.

UNITED STATES					JAPAN					GERMANY					FRANCE					ITALY					UNITED KINGDOM				
Year	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Year	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	7.1	100.0	100.0	100.0	2.6	100.0	96.2	1985	100.0	100.0	7.1	100.0	100.0	100.0	10.3	100.0	102.1	1985	100.0	100.0	8.8	104.0	1985	100.0	100.0	11.2	100.0
1986	105.5	108.8	6.9	105.5	107.0	106.5	99.7	2.8	94.3	1986	105.5	108.8	6.9	105.5	107.0	106.5	10.1	100.0	105.3	1986	105.5	108.8	8.8	104.0	1986	105.5	108.8	11.2	100.0
1987	108.4	108.1	6.1	105.5	108.0	113.9	103.1	2.9	98.3	1987	108.4	108.1	6.1	105.5	108.0	113.9	10.2	106.6	105.1	1987	108.4	108.1	10.9	110.9	1987	108.4	108.1	11.6	104.9
1988	112.7	110.7	5.5	108.4	112.7	110.7	112.8	2.5	108.3	1988	112.7	110.7	5.5	108.4	112.7	110.7	10.0	134.9	108.8	1988	112.7	110.7	10.9	116.9	1988	112.7	110.7	10.3	108.1
1989	114.6	112.4	5.2	109.3	114.6	112.4	119.0	2.2	104.7	1989	114.6	112.4	5.2	109.3	114.6	112.4	9.4	161.1	113.8	1989	114.6	112.4	10.9	118.7	1989	114.6	112.4	10.7	108.1
1990	115.0	112.4	5.4	109.3	114.6	120.0	125.5	2.1	149.9	1990	115.0	112.4	5.4	109.3	114.6	120.0	9.5	166.0	108.3	1990	115.0	112.4	10.9	118.7	1990	115.0	112.4	10.7	108.1
1991	112.7	110.7	6.7	109.3	114.6	145.0	129.9	2.2	128.4	1991	112.7	110.7	6.7	109.3	114.6	145.0	9.5	130.0	108.6	1991	112.7	110.7	10.9	118.7	1991	112.7	110.7	10.7	108.1
1992	117.7	112.4	7.3	109.3	114.6	140.3	120.6	2.2	124.2	1992	117.7	112.4	7.3	109.3	114.6	140.3	9.4	110.9	107.4	1992	117.7	112.4	10.9	118.7	1992	117.7	112.4	10.7	108.1
2nd qtr.1992	2.8	2.8	7.4	80.5	113.8	-3.5	-6.2	2.1	127.1	2nd qtr.1992	2.8	2.8	7.4	80.5	113.8	-3.5	-6.2	2.1	127.1	2nd qtr.1992	2.8	2.8	7.4	80.5	2nd qtr.1992	2.8	2.8	7.4	80.5
3rd qtr.1992	4.0	1.7	7.5	80.1	114.6	-3.8	-6.2	2.2	121.1	3rd qtr.1992	4.0	1.7	7.5	80.1	114.6	-3.8	-6.2	2.2	121.1	3rd qtr.1992	4.0	1.7	7.5	80.1	3rd qtr.1992	4.0	1.7	7.5	80.1
4th qtr.1992	7.0	3.2	7.2	81.8	117.5	-5.0	-7.7	2.3	115.3	4th qtr.1992	7.0	3.2	7.2	81.8	117.5	-5.0	-7.7	2.3	115.3	4th qtr.1992	7.0	3.2	7.2	81.8	4th qtr.1992	7.0	3.2	7.2	81.8
1st qtr.1993	3.3	4.4	6.9	82.2	116.6	-5.8	-8.1	2.3	115.3	1st qtr.1993	3.3	4.4	6.9	82.2	116.6	-5.8	-8.1	2.3	115.3	1st qtr.1993	3.3	4.4	6.9	82.2	1st qtr.1993	3.3	4.4	6.9	82.2
2nd qtr.1993	3.7	3.7	6.7	83.7		-4.5				2nd qtr.1993	3.7	3.7	6.7	83.7		-4.5				2nd qtr.1993	3.7	3.7	6.7	83.7	2nd qtr.1993	3.7	3.7	6.7	83.7
June 1992	2.3	1.5	7.6	80.7	113.8	-6.5	-3.9	2.1	126.2	June 1992	2.3	1.5	7.6	80.7	113.8	-6.5	-3.9	2.1	126.2	June 1992	2.3	1.5	7.6	80.7	June 1992	2.3	1.5	7.6	80.7
July	3.0	2.2	7.5	80.9	114.0	-1.0	-8.4	2.2	122.7	July	3.0	2.2	7.5	80.9	114.0	-1.0	-8.4	2.2	122.7	July	3.0	2.2	7.5	80.9	July	3.0	2.2	7.5	80.9
August	4.4	1.8	7.5	81.2	114.0	-4.8	-8	2.2	122.7	August	4.4	1.8	7.5	81.2	114.0	-4.8	-8	2.2	122.7	August	4.4	1.8	7.5	81.2	August	4.4	1.8	7.5	81.2
September	4.8	0.9	7.4	80.3	114.0	-5.4	-4.2	2.2	121.1	September	4.8	0.9	7.4	80.3	114.0	-5.4	-4.2	2.2	121.1	September	4.8	0.9	7.4	80.3	September	4.8	0.9	7.4	80.3
October	6.6	6.8	7.3	81.2	114.0	-2.3	11.3	2.2	119.9	October	6.6	6.8	7.3	81.2	114.0	-2.3	11.3	2.2	119.9	October	6.6	6.8	7.3	81.2	October	6.6	6.8	7.3	81.2
November	6.8	8.2	7.2	82.4	117.7	-5.7	-8.6	2.3	116.8	November	6.8	8.2	7.2	82.4	117.7	-5.7	-8.6	2.3	116.8	November	6.8	8.2	7.2	82.4	November	6.8	8.2	7.2	82.4
December	7.0	7.2	6.2	81.7	117.5	-7.4	-7.8	2.4	118.8	December	7.0	7.2	6.2	81.7	117.5	-7.4	-7.8	2.4	118.8	December	7.0	7.2	6.2	81.7	December	7.0	7.2	6.2	81.7
January 1993	6.8	4.6	6.9	82.5	116.6	-5.5	-7.6	2.3	116.8	January 1993	6.8	4.6	6.9	82.5	116.6	-5.5	-7.6	2.3	116.8	January 1993	6.8	4.6	6.9	82.5	January 1993	6.8	4.6	6.9	82.5
February	5.9	6.9	6.5	116.3		-5.9	-5.8	2.3	106.5	February	5.9	6.9	6.5	116.3		-5.9	-5.8	2.3	106.5	February	5.9	6.9	6.5	116.3	February	5.9	6.9	6.5	116.3
March	2.9	4.3	6.9	82.5	116.6	-8.2	-2.0	2.3	108.1	March	2.9	4.3	6.9	82.5	116.6	-8.2	-2.0	2.3	108.1	March	2.9	4.3	6.9	82.5	March	2.9	4.3	6.9	82.5
April	5.9	5.9	6.9	82.9	117.8					April	5.9	5.9	6.9	82.9	117.8					April	5.9	5.9	6.9	82.9	April	5.9	5.9	6.9	82.9
May	3.4	6.3	6.0	85.0	118.7					May	3.4	6.3	6.0	85.0	118.7					May	3.4	6.3	6.0	85.0	May	3.4	6.3	6.0	85.0
June	3.6			85.1		-5.1				June	3.6			85.1		-5.1				June	3.6			85.1	June	3.6			85.1

Transition to democracy likely to be postponed again in Nigeria

Babangida set to delay handover

By Paul Adams in Lagos

NIGERIA'S President Ibrahim Babangida looks set to remain in office beyond the promised August 27 handover to civilian rule.

At a weekend meeting in Abuja, the federal capital, with officials of the country's two political parties it was decided that plans to re-run presidential elections by that date were not feasible, and a new interim government would be established.

Although no official announcement has been made, the decision seems likely to prolong the transition to

democracy for the fourth time in three years.

It will also extend a period of strained international relations and means further delay in efforts to reschedule the country's external debt of \$33bn (£2.1bn) and resolve its balance of payments crisis.

Western governments have already imposed visa restrictions and reduced military links with the Nigerian government in response to the annulment of June's presidential poll.

At the Abuja meeting the two army-created political parties agreed to take part in an interim government which will

replace the Transitional Council, a group of civilians appointed by the president to assist in the handover to democratic rule due on August 27. They will form a joint committee with some of Gen Babangida's senior military personnel, including the intelligence chief Brigadier-General Halli Akilu, Lt-Gen Aliyu Mohammed, the head of national security, and Brig John Shagaya, an influential field commander in the north.

"We should... see the interim government as a consensus arrangement for concluding the transitional agenda of this administration, which

was disrupted by the imperative need to nullify the June 12 presidential elections," Gen Babangida said.

Details of the new government, including its tenure, will be worked out by Vice-President Augustus Abacha, officials of the two parties and Mr Ernest Shonekan, who heads a transitional council installed in January and responsible for day-to-day administration.

Significantly, Gen Babangida did not reaffirm his previous commitment to step down on August 27. "We are still in an endless transition to civil rule," commented House of Representatives member Tok

umbo Afikuyomi. "It's like Jesus Christ's second coming. Promised for so long but no-one except the Lord knows when it will happen."

The president's decision could lead to a split in the Social Democratic party (SDP) between those who are co-opted in the coalition and the supporters of Mr Moshood Abiola, the successful candidate in the June elections.

Mr Abiola has so far rejected the interim government and claimed that only he has any mandate to rule in Nigeria. He enjoys strong popular support in Lagos and most of southern Nigeria.

Exxon accused over explosion in Hong Kong

By Simon Davies in Hong Kong

EXXON of the US and China Light and Power, the Hong Kong utility company, have been accused of withholding crucial information from a Hong Kong government investigation into an explosion at their jointly-owned Castle Peak power station. The allegations were made in a US\$125m (£83.8m) legal action filed in Texas.

They are alleged to have removed "vital evidence from the scene of the explosion" and to have held back a detailed internal report which had suggested "inadequate and improper maintenance and training" at the plant.

The explosion of two hydrogen cylinders at the plant last August killed two workers. A coroner's verdict of accidental death was given, but the latest allegations could lead to a reopening of the inquiry.

Mr John Leigh, CLP's company secretary, said yesterday in an official statement that the allegations were "without merit". However, he said the Castle Peak Power Company (Capco), which is 80 per cent owned by Exxon and 40 per cent by CLP, intended to con-

sult the attorney general. The lawsuit has been filed in Alice, Texas, by Mr Michael Ford, a Hong Kong-based barrister who represented Capco at the coroner's inquest.

Mr Ford is suing Capco and five Exxon group companies, claiming damage to his reputation, loss of income and emotional distress after he was dismissed during the inquest. If successful, this could trigger further legal action by the widows of the two men who died in the accident.

Mr Ford alleges he was instructed to hold back relevant material from the inquest. After refusing to comply he was dismissed in such a manner as to "create the impression that the plaintiff had been removed because of incompetence, dishonesty or unethical behaviour".

CLP has responded by seeking an injunction in Hong Kong to prevent Mr Ford disclosing confidential information obtained while he was representing the company.

China Light and Power is the monopoly supplier of electricity to Kowloon and the New Territories of Hong Kong. Exxon owns 80 per cent of the company's four power stations in the colony.

Bachelor party no fun for Thai MPs

By Victor Mallet in Bangkok

THE THAI law forbidding prostitution is probably the least-enforced act in the world. But even in Bangkok it is unusual for 30 government members of parliament to be caught on the same night consorting with women of doubtful virtue - especially during an official campaign against the sex trade.

In the last two days the Thai press has reported with relish on an end-of-term "bachelor" party held for MPs from the New Aspiration party in Bangkok's Emerald Hotel last Wednesday. The host was Mr Boonchu Tritthong, a deputy finance minister and deputy NAP leader.

The revelations have been denied by some of the embarrassed MPs - who described the girls variously as "artists", "singers" and "actresses", but they have hardly stunned the nation.

Gen Chavalit Yongchaiyudh, the NAP leader who was not at the party, described the women as singers rather than prostitutes, but did nothing to dispel the notion that it was normal for MPs to cavort with prostitutes. "Had they been prostitutes, the party would have been held secretly," he said.

The publicity is particularly embarrassing for the five-party coalition government because it has campaigned against prostitution, although the emphasis has been on protecting children used in the trade.

Earlier this month, the government banned the latest edition of Longman's Dictionary of English Language and Culture, published by Pearson, owner of the Financial Times, because it described Bangkok as being known for both its Buddhist temples and its prostitutes.

Thai women's organisations have pointed out that it is useless for the government to try to improve the country's tarnished image if government officials are themselves involved in prostitution.

Leopard skin king must walk a tightrope

Heavy is Londoner's crown, say Leslie Crawford and Joel Kibazo

THE LEOPARD skin had definitely seen better days. Now, played under the throne of the future king of Buganda, the tired carcass was stubbornly refusing to bare its fangs.

As the crown prince approached, hoisted on the shoulders of his subjects, the court attendants abandoned their struggle with the leopard's jaws and rushed to prostrate themselves before Ronald Mutebi II, formerly of Shoreditch, London, who on Saturday was crowned the 38th Kabaka (king) of Buganda.

For a one-time double-glazing salesman who lived most of his life in Britain, Ronald was bearing up well to the rituals of his ancient African kingdom. After visiting his father's mummified umbilical cord, and leading his army into battle before dawn, the Kabaka was bathed in the seclusion of a hut of papyrus reeds.

Then, propelled by thousands of delirious subjects, Ronald was carried up the slopes of Buddo hill to a spot marked by the gnarled roots of a sacred tree, where his ancestors had been crowned for the past 600 years.

As Queen Elizabeth II could have warned him, the duties of a monarch can be onerous. So, too, were the offerings now hoisted upon the Kabaka under the sweltering morning sun. Over his white tunic went four togas made of bark cloth. A cow hide on his back would ensure food for his people. A leopard skin on his chest would give him valour. Two spears and a shield for those troublesome little wars and a calabash of water to quench his thirst.

The royal paraphernalia was topped by a sequined crown, which appeared to double as a fly-whisk. At 9.55am, Ronald rose to beat a sonorous royal drum. The crowd went wild.

His reign had begun. The 4m Baganda, Uganda's largest tribe, are celebrating the restoration of their monarchy after a 27-year ban as the event of the century.

Ronald's father, Muteesa II, who was also independent Uganda's first president, was forced into exile in 1966 by Milton Obote, the ambitious prime minister who became Uganda's uncrowned dictator. Muteesa II, known as King Freddie to his friends, died in alcoholic penury in Britain three years later.

"Since then," says Wasswa Birigwa, a coffee trader who is the royal chief of protocol, "we have been like children lost in a forest."

But he explains: "We Baganda are rediscovering our traditions. The Kabakaship is our cultural reservoir."

President Yoweri Museveni, who has ruled Uganda since 1980, agreed to restore the Kabaka and Uganda's three other tribal kingdoms after long negotiations which carefully circumscribed the role of kings to cultural and ceremonial functions.

But many in the royal entourage are already suffering from delusions of grandeur. Birigwa, the protocol chief, sees the establishment of a permanent royal court and an executive office staffed by "managers, financiers and lawyers" that would execute the king's policies.

The Kabaka, he points out, will soon come into hundreds of acres of royal land and buildings that were confiscated under Obote's rule. The Kabaka's income, he says, could be used to spearhead national self-help and development as well as the standard royal favourites: charities, widows and orphans. King Ronald, however, will be walking a political tightrope. There are many nostalgic



Buganda's new king; no wish to interfere in domestic politics

Baganda who would like to use the Kabaka as a rallying figure for a secessionist movement. Diplomatically, the king says he has no wish to interfere in politics.

President Museveni was the guest of honour amid the hundreds of invited dignitaries, African princes, scarlet-robed bishops and minor British nobility that made up Saturday's colourful medieval pageant.

He watched the proceedings in silence. Some believe Museveni consented to the restoration of the Kabakaship to placate the Baganda, many of

whom fought alongside his guerrillas in the bush war that ousted Obote. A contented Baganda, the sceptics argue, are less likely to clamour for multi-party democracy. But the jubilation on Saturday was genuine. As princesses ululated and shimmied to the beat of royal drums, and a cheering crowd carried Mutebi II away, one clan elder remembered the silent president.

"Museveni," he hailed at the top of his voice, "without you we would never have had our kingdom back. May you rule 100 years." It was the first time the president smiled.

Liberian ceasefire in force

A CEASEFIRE signed a week ago to end Liberia's civil war came into effect successfully at midnight on Saturday, a West African military force officer said yesterday. Reuter reports from Monrovia.

"All sides seem to be observing the ceasefire. I think everybody is fed up with the fighting," said Mr John Addah, deputy field commander of Ecomog, the joint West African military force.

Mr Addah said some fighters of Mr Charles Taylor's rebel National Patriotic Front for Liberia (NPFL) had tried to surrender at Ecomog lines in the Buchanan area, south-east of Monrovia.

"We told them to go back to their positions until we set the process of disarmament in motion. We want them to be able to benefit from the rehabilitation programme," he said. In a speech to the nation interim President Amos Sawyer said: "The guns of war in the Liberian crisis are silent for ever." The NPFL's radio station urged fighters to return to their homes and rebuild their lives.

More than 150,000 people have been killed in three and a half years of warfare, according to the United Nations.

Indian police arrest truck strike leaders

POLICE moved against a strike by India's 1.8m truckers yesterday, arresting 10 leaders at the start of a protest against transport taxes, Reuter reports from New Delhi.

The Press Trust of India reported that police in the eastern state of Orissa arrested the leaders at their homes, while others went underground to evade arrest.

Orissa authorities have declared illegal the indefinite strike, which started at midnight on Saturday.

Under special powers, India's state governments can force drivers to carry essential sup-

plies. Refusal could mean six months imprisonment and a fine.

Rajasthan and Gujarat are two other states which have banned the strike. No arrests have been reported there.

The truckers have vowed to immobilise all freight until New Delhi agrees to abolish road and inter-state taxes.

The arrests, ahead of another round of discussions planned between truckers and government officials, were likely to harden the strikers' stand.

The strike has been organised by the All India Motor Transport Congress.

GM boost for car industry in Taiwan

GENERAL MOTORS of the US has signed a letter of intent with Taiwan's Economics Ministry to help develop the island's car industry. Reuter reports from Taipei.

The pact calls for GM and Taiwanese partners jointly to promote overseas markets and upgrade the capability of local car component manufacturers. The pact is the fifth such agreement signed by Taipei, Mr Yang Shih Chien, Taiwan's vice-economics minister, said at a news conference at the weekend.

Taiwan's car market has been growing because of the booming economy, with domestic car and truck production totalling 420,000 in 1992 compared with 390,000 in 1991.

General Motors has a five-year agreement with Taiwan's Chinese Automobile Co (CAC), announced earlier, under which CAC assembles Opel Astra sedans on behalf of GM for Taiwan's domestic market.

Production started last month and monthly output is between 800 and 1,000 cars. This will jump to 2,000 in early 1994, CAC said. CAC has invested US\$45m (£20.2m) in the project, he added.

General Motors has also invested more than \$7.5m in local vehicle parts factories making some components for the Opel Astra. CAC said.

Ex-ministers indicted in S Korea corruption drive

By John Burton in Seoul

TWO former South Korean defence ministers have been indicted for allegedly accepting bribes in connection with military contracts.

The indictments followed a recent investigation by the government's Board of Audit and Inspection (BAI) into military procurement, which was conducted as part of the new civilian government's anti-corruption campaign.

Mr Lee Jong-koo and Mr Lee Sang-hoon, both former military generals, served as defence ministers in the previous government of President Roh Tae-woo.

General Han Chu-sok, a former air force chief of staff, was also indicted on bribery charges.

Six executives were fined Won1m (\$233) each for giving bribes to the officials. They include Mr Chung Mong-koo, the chairman of Hyundai Precision & Industry and a son of the founder of the Hyundai group, Korea's largest conglomerate.

Mr Chung is alleged to have bribed officials for contracts associated with the Korean K-1 tank, which is produced by his company.

Other businessmen fined included the vice-chairman of Korean Air and an adviser to

Samsung Aerospace Industries. The BAI probe was linked to efforts by President Kim Young-sam to curb the power of the military, which formerly ruled the country.

Nineteen senior officers were recently purged for their role in the 1979 coup. Several former military chiefs also face charges of accepting bribes in return for granting promotions.

It is widely believed, however, that military corruption was more widespread than that unearthed by the BAI. But its investigation was limited in scope because President Kim did not want to alienate the military further.

Lock-out threat dropped at Hyundai shipyard

By John Burton

A CONFRONTATION at South Korea's Hyundai Heavy Industries, the world's largest shipyard, was averted at the weekend as the company dropped its threat to lock out 18,000 striking workers.

Labour-management negotiations will resume on Friday after workers take their annual one-week summer holiday. The government had hoped to end the two-month long industrial dispute at Hyundai.

South Korea's biggest conglomerate, by the end of July.

The Hyundai strikes have been blamed for helping to plunge the current account into a \$691m (\$396.6m) deficit in June after it posted a \$293m surplus in May.

This was chiefly due to reduced motor vehicle exports resulting from a strike at Hyundai Motor. That dispute ended on July 23.

HHI is the largest of four Hyundai subsidiaries still on strike. The union is seeking a

pay increase above the 4.7 per cent rise offered by management and demanding the reinstatement of fired union leaders.

The strike at HHI has cost the group \$126m in lost sales.

Workers at Hyundai Wood Industries are locked out, while a similar threat faces Hyundai Construction Equipment. The union at Hyundai Electrical Engineering rejected a proposed pay accord on Saturday.



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NEWS: UK

Trademark reform link to EC HQ

By Alison Smith

A MUCH-DELAYED overhaul of the law on trademarks, intended to simplify and modernise the system for registering and protecting them, is set to be brought forward in government legislation this autumn.

Pressing ahead with the move is intended to strengthen the UK's hand in its lobbying for London to be the site of the European Community trademark office. The office is among the institutions still awaiting a location, and no agreement is expected for some time.

The new law will also contain a provision allowing the UK to ratify the protocol to the Madrid Agreement, an international system for the protection of trademarks, making it easier for UK trademark owners to obtain protection in other countries.

The proposals are based on the white paper (policy document) published in September 1990. Until now, parliamentary time has not been found for a bill (draft legislation), because ministers have not given it political priority.

It will be the third piece of legislation for next session sponsored by the department of trade and industry, even though the government's business managers have sought to curb the number of bills. The DTI's other bills are the flagship measure on deregulation and the legislation to privatise British Coal. The bill has been bounced out of the programme before, but officials are confident that this time it will make the statute book.

The main elements of the bill are expected to be: a more flexible definition of the kinds of signs that may be treated as trademarks; a presumption that a mark ought to be registered unless there is some specific objection; simplified procedures for registering marks with the Trade Marks Registry; and improved protection for existing trademarks.

Tory calls for 'whole political spectrum' to combat long-term unemployment

Minister seeks consensus on jobless

By David Goodhart, Labour Editor

MR DAVID HUNT, UK employment secretary, has called for a national consensus between the main political parties on a strategy for combating long-term unemployment.

Mr Hunt, a standard bearer of the left in the Tory Party, said at the weekend: "It has now become such an intractable problem that we must find a way of involving people from across the whole political spectrum. If you can get a general agreement, it allows you to move away from stale arguments about resources."

About a third of the 2.9m unemployed have been out of work for more than a year, and the proportion is likely to rise even if unemployment as a whole continues to fall.

Mr Hunt said he had received "indications" from many people "across the political and industrial spectrum" that they would be ready to work with the government.

Although he would not name individuals Mr Hunt has a close relationship with Mr Frank Field, the maverick Labour MP and has also established a rapport with Mr John Monks, general secretary-elect of the Trades Union Congress.

Mr Hunt has just returned from a short tour of the US, looking at welfare schemes, which require the unemployed to work for their benefit.

He said he had "reservations" about the element of compulsion in such schemes and pointed out that the US had a very different, and generally less generous, benefit system from the UK's. But he also noted that it was the Democrats, and not the Republicans, who were now considering introducing a national workfare scheme. "I think President

Clinton's friends in the Labour Party should take note of that," he said.

Mr Hunt saw only junior officials in the US Labor Department but he did reach agreement on funding a joint study of how the US economy has produced so many new jobs over the past few years.

"Europe has a lot to learn from the US experience, but it seems that there is no clear idea in the US as to why they have been so successful," he said.

More than half of British workers fear they could lose their jobs over the next 12 months, the latest in a

monthly series of Mori surveys published exclusively in the Financial Times today suggests. Fear of redundancy appears to have increased sharply over the past few weeks, in spite of five successive monthly falls in unemployment and government claims that economic recovery is under way. In May, 43 per cent of those questioned by Mori said they were either "very concerned" or "fairly concerned" about the possibility of being made redundant or becoming unemployed over the next 12 months. By July this had risen to 51 per cent.

Significantly, Sinn Féin has substantially moderated its tone over recent months, and although it still argues that Britain must go one step further and make a commitment to militarily and politically disengage from Northern Ireland, it sets no deadline for this and has been making increasingly conciliatory statements directed towards the Unionists.

Mr Hume's key argument now looks very shaky however, and with it his hopes of ending the IRA bombing campaign and eventually bringing Sinn Féin into the peace process.

In private, the Republic's government officials now talk about playing the United States card - asking the Clinton administration to appoint a "peace envoy" to Northern Ireland. British objections have until now restrained Dublin from pushing this option. But the "Tory-UUP understanding" may now mobilise the Republic's powerful lobbyists in Washington, and trigger the US's first direct involvement in Northern Ireland's affairs.

A further option might be for the Republic to ease its 22-year broadcasting ban on Sinn Féin. Mr Michael D. Higgins, the minister responsible for broadcasting is known to be opposed to the ban. If it were to be eased in the Republic, it would increase pressure for a review of a similar ban in the UK, end

here, where a large part of the population consider themselves Irish". He said that Mr Molyneux's understanding with Mr Major "signifies a dead-end for the talks process."

Hitherto, the British government has professed neutrality in the talks process, saying it has no preferred outcome. A key phrase used by Sir Patrick Mayhew, the Northern Ireland secretary of state, and first coined by his predecessor, Mr Peter Brooke, was that Britain has "no strategic interest" in Northern Ireland.

Since last April Mr John Hume has been involved in bilateral talks with Mr Gerry Adams, the leader of Sinn Féin - the political wing of the Irish Republican Army - a move which has angered Unionists but which Mr Hume says is aimed at bringing the political violence to an end.

Unionists accuse Mr Hume, Sinn Féin and Dublin of trying to set up a "Pan-nationalist front". Although there has been discomfiture in Dublin the official government reaction is that "Mr Hume is an experienced politician and knows what he is doing."

According to those close to the Hume-Adams talks, one of Mr Hume's key arguments has been that the British

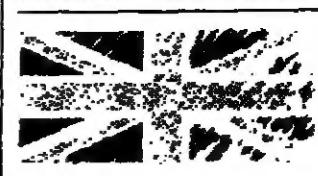
remaining period of this parliament". Some of the changes envisaged by the UUP include the establishment of a Northern Ireland Select Committee at Westminster, the broadening of local government powers in the province, and "greater attention being paid to persons with experience in security issues. I include myself amongst them."

Asked whether these changes would signify the abandonment of the 1985 Anglo-Irish agreement Mr Maginnis said "I certainly hope so". This has set alarm bells jangling in Dublin. Mr Albert Reynolds, the Irish prime minister, said last week that he would be "very concerned" by any unilateral moves made by the British government on Northern Ireland.

One of his aides expanded upon this saying "If a clear warning is made to London that any unilateral move would be viewed as undermining the Anglo-Irish agreement, but they go ahead and do it anyway, then one can only conclude that this would lead to a major crisis in Anglo-Irish relations."

In Belfast, a spokesman for the nationalist SDLP party, led by Mr John Hume, said "This is an integrationist move, making Northern Ireland similar to Scotland or Wales and ignores the fact that we have a divided community

Britain in brief



UK banks 'second best' in W Europe

British banks are the second most efficient in western Europe after the French in terms of their ratio of costs to income, an analysis of human resources says. This is because the cost of employing staff outside Britain is on average 2½ times higher.

The analysis by the financial services analysis company Lafferty Group finds that the proportion of cost to income per employee in 1990 was 25.3 per cent in Britain against 22.3 per cent in France. The highest rate was 41.7 per cent in Switzerland and 40.1 per cent in Italy.

The figures are based on data from 400 of the 500 largest banks in 25 European countries. They provide a benchmark for the year when most European banks were about to embark on cost-reduction programmes to improve staff efficiency after widespread expansion in the late 1980s.

ICI plans big development

One of the largest commercial developments in Britain is being planned by Imperial Chemical Industries on 1,500 acres of surplus land it owns at Severnside near Bristol. It believes that eventually there could be employment for over 10,000 people.

ICI describes the land, which is adjacent to its Severnside works, as a "major strategic holding" for which it is now bringing forward a "master plan" for a range of business and industrial use. "We have a fantastic opportunity and will provide competition for every major site in the region," said

Mr Andrew Sturt, ICI's group property manager.

The company will not act as the sole developer but is in informal discussions about partnerships which might take the form of joint ventures or a consortium.

"We will invest money to enhance the landholding but there is no prospect of ICI entering into development as a risk taker. We are concentrating on our core businesses," Mr Sturt said.

Rising output brings jobs

Rising output from British industry produced an increase in manufacturing employment in July for the first time in two years, the latest monthly survey of purchasing managers shows.

And a Confederation of British Industry quarterly survey today says smaller manufacturing companies are planning to spend more on plant and machinery in the next year - the first planned increase in investment in more than four years.

The Chartered Institute of Purchasing and Supply said its purchasing managers' index fell slightly to 53.0 per cent from 53.7 per cent last month; but was still above the key 50% level which indicates expansion in the manufacturing economy.

City plan to fight bombers

Corporation of London, the City's local authority, is expected to publish a set of proposals tomorrow designed to reduce the risk of further bomb attacks by the IRA. The most controversial measure being considered is the creation of a permanent security cordon. This would involve maintaining the road blocks and checkpoints installed two months ago. The Corporation will also propose a range of surveillance measures to improve security. These include an increased number of security cameras, neighbourhood watch schemes and greater coordination of companies' security staff and camera systems.

CONTRACTS & TENDERS

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Bids for the supply of the goods detailed below are hereby invited:

TENDER NO. 94/92/101/1

Supply: Basic telephone & spare parts - purchase under a multi-year agreement

1. Term of the agreement: 3 years with an option for an additional year.
 2. Bezeq reserves the right to negotiate the details of their bids with all or any of the bidders.
 3. Prior conditions: as detailed in the tender documents.
 4. The tender documents and further details may be obtained from the Tenders and Orders Department of the Purchasing Dept., at 1 Hasoreg Street, Jerusalem, Israel, on Sundays to Thursdays, telephone: +972-2-395614/5.
- The Tender Documents may be obtained by a written application and a receipt for a non-refundable deposit in the amount of U.S. \$350.00 to Union Bank, Main Branch, Jerusalem, Israel, account no. 13-051 8800-68. Both may be sent to the following fax no. +972-2-241001 (Orna or Silvi).
5. The bids should be submitted in the following two stages:
 - (a) Stage A. Technical material and brochures on the telephone model offered should be deposited in the "tenders" box at the above address by no later than noon on 11th of August 1993. No prices or other details besides that required above should be included in stage A. The material should be delivered in an envelope marked: Tender 94/92/101/1 - Stage A. The bids of suppliers who do not submit the material required in stage A at the time specified will not be considered.
 - (b) Stage B. The prices and telephone models offered should be submitted. The bids should be deposited in the "tenders" box at the above address by no later than noon on the 8th of September 1993. The bids should be submitted in an envelope marked: Tender 94/92/101/1 - Stage B. The models should be submitted in a separate package on which the tender number and bidder's name are marked.
 6. Bezeq is not obligated to accept the cheapest or any bid or to order the whole quantity from one bidder.
- Bids by fax or telex will not be accepted.

BEZEQ - THE ISRAEL TELECOMMUNICATION CORP. LTD.

Bids for the supply of the goods detailed below are hereby invited:

TENDER NO. 16/93/100

Supply: Copper Telephone Cables for the Local Telephone Network According to Bezeq's Specifications

1. Option: Bezeq reserves the right to purchase up to an additional 100% of the quantities in the above mentioned tender within two years.
 2. Bezeq reserves the right to negotiate the details of their bids with all or any of the bidders.
 3. The tender documents and further details may be obtained from the Tenders and Orders department of the Purchasing Dept., at 1 Hasoreg Street, Jerusalem, Israel, Sundays to Thursdays, telephone: +972-2-395614,5 or 395620.
- The tender documents may be obtained by submitting a written application and a receipt for a non-refundable deposit in the amount of U.S. \$200.00 sent to Union Bank, Main Branch, Jerusalem, Israel, account No. 13-051-886800-68. Both may be sent to the following fax no. +972-2-241001 (Orna or Silvi).
4. The quotations should be deposited in the "tenders" box at the above address by no later than noon on the 29th of September, 1993.
- The bids should be submitted in an envelope marked: Tender: 16/93/100.
5. Bezeq is not obligated to accept the cheapest or any bid or to order the whole quantity from one bidder.
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John Cleese is not your regular management guru. Gurus take themselves seriously, are pompous, present common sense as science and drop big names in business.

By contrast, Cleese thinks the tricks of management are pretty obvious. He spends no time talking to businessmen, claiming he does not know any. He is as much the ordinary bloke as his towering fame will allow. He sits in his seriously rich Notting Hill house looking casual in a grey track suit, and is so adamant he knows nothing that his minder has to intervene.

"No, John," she says, "you are so perceptive. You look at a series of problems that are presented by a company, and your strength is saying I don't believe that is their problem, it is something deeper."

Her name is Tina Tietjen. Since she and a partner paid \$50m in a management buy-out for his video training company, Video Arts, she has had a particular interest in selling Cleese's management skills.

In this she has been supremely successful. Cleese, the British comedy actor who shot to fame with the Monty Python television series, has become the world's most popular management trainer. Millions of managers have watched him play the part of buffoon manager in training videos. In the US, thousands have flocked to hear him lecture on management, and many more thousands have paid \$250 for a 30-minute video of the occasion. Even veteran guru Peter Drucker is not that big.

Managers who have bought the videos are now buying the book. Co-written with his analyst Robyn Skynner, *Life and How to Survive It* coins the phrase "healthy company", and argues that healthy companies resemble healthy families, only bigger.

Management is an odd interest for a comic. How did it all begin? Cleese, as is now his way, immediately reaches for the psycho-analytical rather than the hysterical answer. It was because he was the only child of elderly parents and, therefore, was drawn towards them, he begins.

But surely it is a long way from being a lonely child to making training videos about how to make meetings more productive?

"Meetings with the Pythons team were a low-grade nightmare," he says. "So when someone asked me in 1976 to write a film about how to run an efficient meeting, I found it fascinating. And then once you've done one area you get interested in another and then there's an area in between."

Cleese lives by two of his central tenets: never to pretend he knows something when he does not, and to admit to making mistakes. This makes him frustratingly hard to pin

John Cleese talks to Lucy Kellaway about his unlikely role of management trainer

Acting the guru



Ashley Ashwood

John Cleese: "People ask me what's going on in British industry. I don't know"

down. "People sometimes ask me what's going on in British industry and I say I don't know. There's no point pretending I do."

Tietjen starts to look anxious again and points out that John is a natural teacher.

Cleese reluctantly admits that after giving his speech about the value of making mistakes he gets

mobbed by managers saying: "I wish you could tell my boss that." The speech makes a distinction between "the copper-bottomed mistakes like wearing a black bra under a white blouse" and those which are a fair try but just happen to be wrong.

Does he think that people who have watched the videos have taken

note? "People who are quite reasonably healthy will learn things and will change," he says, and as if to prove the point he cites a personal example. "When I was first in showbiz I was frequently 10 minutes late for things. I realised that I was not leaving enough time to get there. So he changed; simple as that."

When Cleese admits to knowing anything, he puts it down to intuition. It is this that allows him to sort out a good team from a bad one. "The first thing you notice is that you feel something isn't quite right. Then you do a bit of digging around to try to figure it out. If you use your intuition - which men in our society don't really use or trust very much - you can fairly easily see if people are communicating with each other in an open way, or if they both have hidden agendas."

He cites two recent films he has been involved in. One has been easy because everyone knew who was meant to be doing what. The other has been a dog's breakfast. "You realise the thing is out of control, and everyone is making it up as they go along. I believe that if you can get egos out of the way, be straight with people, listen to what they say, it is amazing what can be achieved."

However this smooth-running, plain-dealing is not the norm. "Most people try to create mythologies about themselves. They pretend they know when they don't know, get stuck in all these little acts." Worst, he says, was Robert Maxwell, "the most complete clown in Britain". Cleese takes a dim view of most big businessmen: "The sad thing about our culture is that it expects this sort of egotism from people at the top of companies. Their behaviour is very like five-year-olds. It is only the powerful people who can get away with it, and because they are so visible, they are seen as heroes."

It is not just the big bosses who are inadequate. Many people are not in good enough psychological nick to be ready for the healthy company he and Skynner describe. "A lot of people are not going to like it," he says. "If you want to go into a healthy company you better be fairly healthy yourself. If you come from a very distrustful, manipulating family and go into an organisation where people are open with each other it would drive you mad."

The difference between a healthy and unhealthy company, he and his shrink have figured out, is confidence. "Not the bloated, sticking chest out strutting around confidence," he says, his words creating a rare glimpse of the old manic Cleese. The confidence is the quiet confidence of a batsman. And how should companies acquire it?

Not for the first time, he says: "I don't know."

A cross-cultural minefield

Gillian Tett on the surprises that ensued when British managers set out to teach the Russians western skills

At 5am nearly half the training course had retired with a hangover. Two more had vanished, apparently conducting a romance. And though the rest seemed eager to learn about management skills, several more were stuck in Moscow, awaiting their correct papers.

By the traditions of Russian industry, this may have been nothing new. But for the British organisers of the seminar it was a vivid reminder that teaching western management skills to a Russian audience is, at best, an unpredictable task.

Few doubt that the Russians will need a heavy investment in training to help their economy undergo transformation. But the type of business training that is appropriate - and how it can be imparted in an effective manner - is an issue that remains a potential cross-cultural minefield.

This particular exchange, arranged between Moscow Business School and Henley Management College, and sponsored by Digital, set out to address a key question: in a culture which has had no experience of western-style management or personnel skills, how do you create responsible and decisive managers?

Or, to use the management training terms, how do you set about "empowering" ex-bureaucrats?

To tackle the theme, the 10 Russians, some from business, others from the Moscow Business School, were allowed to window-shop on a range of western management theories - British Petroleum told them about personnel strategy, Dun and Bradstreet spoke about human resource management, while Digital representatives lectured on issues ranging from the EC to employee empowerment.

In an atmosphere of polite bemusement, the Russians were handed a series of "machine sense tools" - not unlike multi-coloured designer toys - and told to analyse them in a session on confidence building and decision making.

CAN WE SKIP THE MANAGEMENT THEORY AND HUMAN RESOURCE STRATEGY AND GO STRAIGHT ON TO GOLDEN HANDSHAKES?



ROGER REALE

"It has long been argued that if you give people the freedom and tell them they have it, they will be empowered," said Helen Kelly, an American psychologist, who devised the exercise as a means of teaching employees and troubled teenagers self confidence and innovation.

"It's very exciting to see what can happen with this," echoed Derek Thomson, a management consultant with Kodak, who explained that his company had already used the exercise on the factory floor in the US, with some "very encouraging" results. "The best thing is that it can be used in any language."

The Russians, who seemed as intrigued by the glue sticks and complimentary Kodak cameras as the toys themselves, obediently set to work.

By the end of the morning, they had produced a range of paper machines, on which some chose to express their creativity by doodling designs.

"The thing about this is that

you can learn to do things you thought you couldn't," explained Kelly, through an interpreter, who had gainfully succeeded in translating "empowerment" but had rather more problems translating the word "fun".

And what did the Russians think they had learnt? "It's all been very unusual, but I am not sure that I can use it in my work with customs regulations," admitted Natalia Koulikova, who worked in international trade at the Moscow Business School.

Martina Mdivani, a professor in human resource management, was rather more hopeful.

Russian managers desperately need, she said, to learn the principles of conflict, control and personnel management. And, indeed, she found the "empowerment" message both fascinating and apt.

"But the problem is that we don't have very much money for all these exercises now," she said. "Most managers are more concerned with profits than playing with paper games."

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PEOPLE

Barclays refocuses on Far East

Despite the recent losses suffered by investment banks trading in Japanese equities, Barclays has reinforced its commitment to the Far East - and the links between operations of its BZW investment banking arm in London and Tokyo with a series of appointments in Britain and Japan.

The most senior move is the appointment of Ben Grigsby, the group's country manager for Japan, to the new post of deputy chief executive for the BZW markets division responsible for sales and distribution of BZW services. He is being rewarded for managing Japan through a difficult trading climate.

Grigsby will be joined in London by Saburo Shinoda, the president of Barclays Trust and Banking in Japan, who will become a director of BZW and lead a team trying to improve BZW's services to Japanese corporate and institutional customers. The moves will take place from September 1.

In Japan, Callum McCarthy will become group country manager in addition to his role as chief executive of Japan Barclay Bank. Peter Fenichel, managing director in BZW's debt capital markets unit in London, will move to Japan as president of BZW Securities there, and still run global private placements.

The interlinking of operations between London and Tokyo might surprise competitors such as National Westminster, which has withdrawn from Japanese equities after suffering losses. But McCarthy says BZW has a big enough spread of securities businesses to balance equities losses last year.

McCarthy says BZW - which has overall responsibility for Barclays operations in Japan - "looked carefully" at its operations there before reinforcing the links. It thinks the combination of strong trade flows and a high personal savings ratio will provide plenty of business opportunities.

Erith turns non-executive

Bob Erith, who in his heyday was the star stockmarket analyst of the building industry, has decided to bow out of broking and take on the non-executive chairmanship of Capel-Cure Myers Capital Management, a *taban* private client fund manager.

Erith, who turns 65 this year, has worked for three same firms, albeit under different owners, for 27 years and feels that the time is right to make the transformation from being a busy executive to a professional non-executive.

Most of his City career has been spent at Savory still which was absorbed by Swiss Bank Corporation in 1990. In order to take up his new job he will retire as chairman of the equities group of Swiss Bank Corporation but will remain a consultant.

His move to Capel-Cure Myers, which has been without a chairman for some time, appears to have resulted from a chance encounter between a Swiss Bank Corp executive and a member of Canadian Insurance Group, CCM's majority shareholder, at a dinner in Toronto. The Canadians were looking for a chairman and Erith's name was mentioned. John Henderson, CCM's chief executive, said that he had not known Erith before the appointment was made.

With 22 offices and 450 staff, CCM has remained profitable under various owners and has built a reputation specialising in private clients, unit trusts, pensions and insurance funds. A few years ago when a former Canadian parent ran into problems there was speculation that CCM might be sold. Canadian Insurance Group, which is now the majority shareholder, has indicated to CCM chief executive John Henderson that it is not seeking a buyer.

Non-executive directors

■ Kit Farrow, director general of the British Merchant Banking and Securities Association, at GLYNWED.

■ Henry Lewis, a former joint md of Marks & Spencer, a former non-exec at Gabcic, at CUPID.

■ David Buckle, a former deputy chairman of Hill Samuel Bank and already on DOBSON PARK INDUSTRIES' board, as deputy chairman.

■ Lawrence Urquhart, chairman of Burmah Castrol, as deputy chairman of SCOTTISH WIDOWS; he succeeds James Boyd who remains on the board.

■ Peter Dawson, former md of Grove Europe, whose family has made a loan to the company, at TOMORROW'S LEISURE; Barry Anyas has resigned.

■ Michael Tuttle, formerly European regional president of Mars, at THORNTONS.

■ David Marlow, a former chief executive of 3i, and John Ballard, the outgoing director of the Maxwell pensions unit, have been appointed trustees of the MAXWELL PENSIONERS TRUST, following the death of Sir Ewan Broadbent.

■ Robert Hodges, md of Lyons Tettey, at LYONS IRISH HOLDINGS; John Garner has retired.

■ Sir John Grenside and Martin Lampard have retired from ALLIED-LYONS.

■ Charles Fisher, chairman of Sharpe & Fisher, at JOHN MOWLEM & Co.

■ Ray Cullimore is retiring from CHESTER WATERWORKS in November.

■ Menzies Campbell, Liberal Democrat spokesman on defence and sport, Baroness Hooper, now in the Lords and a junior minister for five years until last year, and Ann Taylor, shadow education secretary, at WESTMINSTER COMMUNICATIONS GROUP.

■ Rohan Courtney, chairman of Sterling Trust and Swaine Adeney Briggs, and former chairman of the British Overseas Commonwealth Banks Association, at TULLOW OIL.

■ Rollin Mettler has retired from PRESTWICK HOLDINGS.

■ Jerome Tolot, general manager at Dumez, at ALFRED MCALPINE; he replaces Christine Morin-Potet.

■ Sir Ewen Fergusson, previously British ambassador to France, at THE SAVOY HOTEL.

■ Ken Manley, chairman of Country Choice, at BRACE BROS, on its acquisition of Country Choice.

■ Donald Raley, former deputy chairman of New Scotland Insurance Group, and chairman of its subsidiary The Independent Insurance Co, and Brian Denney, a director of Denney O'Hara and chairman of BIIBA, at MEDICAL INSURANCE AGENCY.

■ Anthony Loebnis, former vice-chairman of S.G. Warburg, at ST JAMES'S PLACE CAPITAL.

■ Gordon Campbell Douglas at EUROPA MINERALS GROUP.

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Jones began his career with Jones Lang Wootton and became a partner of Drivers

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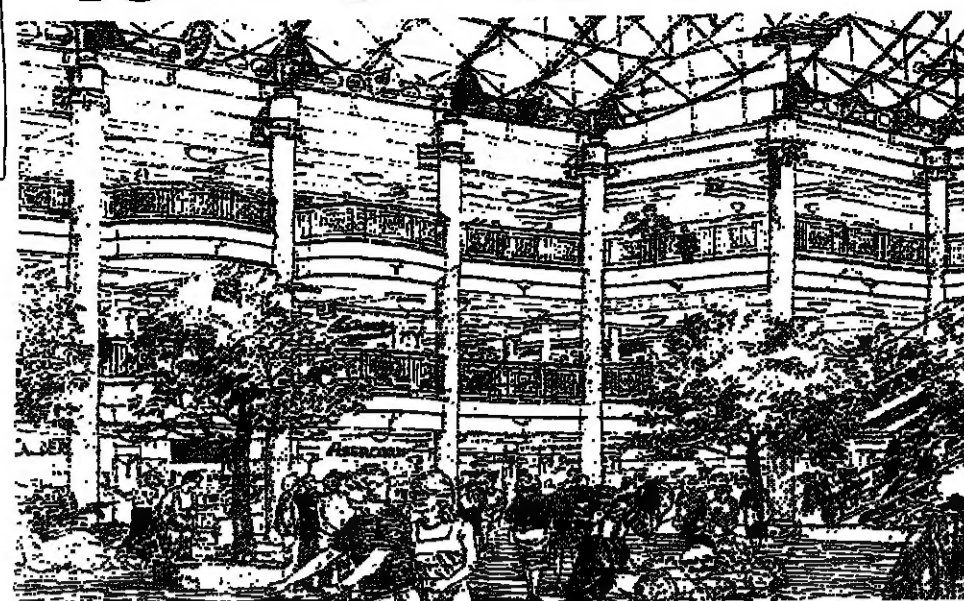
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and ex-BP boss Bob Horton. The new organisation, which will take control of British Rail's track and signalling network, does not come into being until the rail privatisation bill gets royal assent next April. Jones has therefore been appointed a part-time non-executive member of the British Rail board and the intention is that he will transfer to the Railtrack board on April 1.

Jones began his career with Jones Lang Wootton and became a partner of Drivers

CONSTRUCTION

Upgrading shopping centre



HIGGS & HILL SOUTHERN is to undertake the refurbishment of the Whitgift Shopping Centre (pictured above) in Croydon, Surrey, under a £17.5m design and build contract. The Whitgift Centre is believed to be the largest town centre retail complex in the south east, with 140 retailers. In addition to general refurbishment, the project will involve the construction of 24 new retail units, a restaurant, extension of the basement.

roofing over the pedestrian malls and complete upgrading of the mall finishes. All the malls will have new low maintenance granite flooring.

A completely new lighting system has been designed to enhance the ambience of the malls which will be surrounded by fully glazed roofs, 65ft above ground level, and specially designed to incorporate smoke extractor fans and other safety features. Entry points to the centre

will be upgraded and improved. The Alders Department Store will have a remodelled frontage, and an adjacent 20,000 sq ft WH Smith store is proposed.

The upgrading programme will transform the 1960s open air shopping area into a fully up-to-date enclosed retail facility and create an enhanced environment both for retailers and shoppers. Work has started on site and completion is anticipated for mid-1995.

West End office block development

KYLE STEWART has won new work from The Crown Estates, North East Thames Regional Health Authority, Marks & Spencer, National Breakdown and Tesco, worth in excess of £20m.

In London's Regent Street, the £20m redevelopment of a 14,800 sq metre office block next to Hamleys toy store behind a listed facade will accommodate first floor.

ground and lower ground floor retail units with the remaining space used as offices.

The design and construct contract for The Crown Estates is programmed to last 21 months.

The North East Thames Regional Health Authority has awarded the Kyle Stewart Group the design and construct for psychiatric and geriatric units at the Homerton

Hospital in Hackney, London. The 16-month £2m project comprises two buildings - a single three-storey 30-person unit for the elderly mentally ill and an oncology laboratory with ancillary accommodation at second and third floor level.

The second building will contain a 30-person rehabilitation unit for long-stay patients and a 60-person psychiatric day hospital.

Testing new material for road building

A £1m contract, awarded to JOHN MOWLEM CONSTRUCTION for repairs to the M18 in South Yorkshire, is to feature Britain's first trial of a new type of reinforced concrete carriageway - "whisper concrete". The project involves the reconstruction of two miles of both carriageways near

Thorne, from Junction 5, the M180 interchange to Junction 6 the A614 interchange.

The scheme is to include the construction of new concrete carriageways with differing surface treatments.

One of these - exposed aggregate finish, sometimes known as "whisper concrete" - origi-

nated in Europe and will be tested in Britain for the first time. This finish is intended to give a quieter journey for motorists.

The performance of the road will be regularly tested by the Department of Transport and the Transport Research laboratory.



Christopher Jones, who stepped down as president of the Royal Institution of Chartered Surveyors last month, is to lend his property expertise to Railtrack, the new organisation which will soon be responsible for Britain's 10,000-mile railway network. Jones, 51-year-old senior partner of Drivers Jones, chartered surveyors, is one of the first outsiders to be appointed to the board of Railtrack which is being set up under the chairmanship

of ex-BP boss Bob Horton. The new organisation, which will take control of British Rail's track and signalling network, does not come into being until the rail privatisation bill gets royal assent next April. Jones has therefore been appointed a part-time non-executive member of the British Rail board and the intention is that he will transfer to the Railtrack board on April 1. Jones began his career with Jones Lang Wootton and became a partner of Drivers

Jones in 1967. Twenty years later he took over as senior partner. A member of the Port of London Authority and the British Rail Property Board, Jones has been a property adviser to organisations ranging from the British Airports Authority to the Royal Bank of Scotland and the Duke of Cornwall. Meanwhile, former Rowntree chairman Kenneth Dixon, 63, has been reappointed as a part-time BR board member for two years.

LEGAL NOTICES

NOTICE OF PUBLIC SALE

ONE BOEING 747-243B AIRCRAFT

Hull 753 Corporation, as Secured Party under a Mortgage and Security Agreement dated as of March 1, 1986 from Meridian Trust Company, as Owner Trustee as successor in interest to Integrated Aircraft Corp., as Secured Party ("Mortgage") intends to sell at public auction the items described below:

Description of Collateral

1. One Boeing Model 747-243B aircraft bearing FAA Registration No. N78020 (formerly N604PE) and manufacturer's serial no. 19731 and four (4) Pratt & Whitney Model JT9D-7A turbojet engines bearing, respectively, manufacturer's serial nos. P662213CN, P662663CN, P665721 and P662338CN;

2. all manuals, logs and inspection, modification, overhaul and maintenance records kept with respect to the foregoing; and

3. certain other property and rights pledged to the Secured Party under the Mortgage collectively referred to as the "Collateral".

Terms and Conditions of Public Auction

The sale of the Collateral will take place on September 30, 1993, at 10:00 a.m. (the "Date of Sale") at the offices of Vedder, Price, Kaufman & Kamholz at 222 North LaSalle Street, Chicago, Illinois 60601. The aircraft and the other Collateral will be sold as a unit, "AS IS - WHERE IS" WITHOUT ANY REPRESENTATIONS OR WARRANTIES, to the highest bidder, for cash. The Secured Party reserves the right, on or prior to the Date of Sale, to impose any other conditions upon the sale of the Collateral and to continue the sale. The aircraft is offered in possession configuration.

Bids may be submitted, in writing at any time prior to the Date of Sale, to Hull 753 Corporation at 2700 Sanders Road, Prospect Heights, Illinois 60070, teletype (708) 205-7411, Attention: Dennis White and will be considered along with any other bids received on the Date of Sale. The Secured Party reserves the right to bid at the sale and, notwithstanding the requirement that such sale be for cash, to apply all or any part of the total amount of the indebtedness owed to the Secured Party in satisfaction of the purchase price. The winning bidder will be required to deposit ten percent (10%) of its bid with the Secured Party on the Date of Sale and to transmit the remainder of its bid to the Secured Party within five (5) business days of the Date of Sale. The Collateral is located at Lockheed Commercial Aircraft Center, Inc. in San Bernardino, California. Inspection of the Collateral may be arranged by appointment. All inquiries and requests for inspections or additional information should be directed to Dennis White at Household Commercial Financial Services, Inc., 2700 Sanders Road, Prospect Heights, Illinois 60070, telephone (708) 564-6042, teletype (708) 205-7411.

Notice of Appointment of Liquidator

Company Number 281072

GERALDO LIMITED

Previous name: Fibrol Limited (Notice of Business: Cash in hand, inventories, creditors voluntarily winding up. Address of registered office: Cork Gully, Over House, 55 Sheep Street, Northampton NN1 2NF. Liquidator's name and address: Robert Michael Auld, Office Holder number 10771, Amanda Skelton Mary Robinson (Office holder number 7823) at Cork Gully, Over House, 55 Sheep Street, Northampton, NN1 2NF. Date of appointment of liquidators: 16 July 1993. Appointed by the Court.

Signed: R Auld and J Robinson

Attended: John N Whitfield ACA.

Notice of Appointment of Liquidators

Company No. 04421

T BODILY & SONS LIMITED

Passed 10 July 1993

Name of business: Builders and Undertakers.

Type of liquidation: Creditors. Address of registered office: Glenview House, 96-98 St. James Road, Northampton, NN1 5LG.

Liquidators names and addresses: Ian Quinlan, 20 St. James Road, Northampton, NN1 5LG.

Robert Auld of Cork Gully, Over House, 55 Sheep Street, Northampton. Office holder number 2547. Date of appointment: 7 July 93.

When appointed: Creditors.

Signed: R M Auld.

Date: 8 July 1993.

Attended by:

Description: Chartered Accountant.

JOHN ADDIS & SONS LTD

Address of registered office: 131, May Lane, Kings Heath, Birmingham. Nature of Business: Furniture Removers. Court: Birmingham County. Number of entries: 162 of 1989.

Liquidator's Name: Nigel John Hall, Address: Lamin House, Spa Road, Gloucester, GL1 1DX. Date and time of Final Meeting of Creditors: 17th August, 1993 at 10:00 hours.

Place of Meeting: Cork Gully, Over House, 55 Sheep Street, Gloucester, GL1 1DX.

Signed: N J HALLS.

N J HALLS.

Dynasty Marketing Limited

NOTICE IS HEREBY GIVEN, pursuant to section 96 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at 43 Temple Row, Birmingham, B2 5PT on Monday 4 August and Tuesday 10 August 1993.

A list of the names and addresses of the company's creditors may be inspected free of charge at: Cork Gully, 43 Temple Row, Birmingham, B2 5PT on Monday 4 August and Tuesday 10 August 1993.

By order of the Board

Director

Monaghan Typewriting Co. Ltd.

Registered Office: St Andrew's House, 20 St. Andrew's Street, London EC4A 3AY.

Nature of Business: Typewriters, Company Number: 310613. Liquidator's Name: John Frederick Powell, Address: St Andrew's House, 20 St. Andrew's Street, London EC4A 3AY. Office holder number: 16205. Date of appointment: 21 July 1993. By whom appointed: Creditors.

Signed: 21 July 1993.

Attended by:

Description: Chartered Accountant.

LEGAL NOTICES

Holmes Holdings (Europe) Ltd.

Registered Office: Cold Street Road, Cardiff, Wales.

Notice of Directors: Ronald Davies, Court: Expert Panel at Cardiff, 23rd July 1993. Liquidator's Name: Nigel John Hall, Address: Lamin House, Spa Road, Gloucester, GL1 1DX. Date and time of Final Meeting of Creditors: 21 August 1993 at 10:00 hours. Place of Meeting: Cork Gully, Over House, 55 Sheep Street, Gloucester, GL1 1DX.

Signed: N J HALLS.

N J HALLS.

21 July 1993.

Attended by:

Description: Chartered Accountant.

21 July 1993.

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THE CONFERENCES & EXHIBITIONS SECTION

appears in the Financial Times every Monday.

To advertise in this section please call
Alison Prin on 071-407 5752

Architecture/Colin Amery

Building on the imagination

I'm worried about Sir Peter Holmes. He was until recently the chairman of Shell Transport and Trading plc, and every working morning he climbed 62 flights of stairs to reach his office on the 26th floor of the Shell Tower on London's South Bank. He says in one of the programmes in the BBC 2 series *Architecture of the Imagination* (9.30pm every Friday for five weeks) that "it is a form of pain, but I do it to keep fit."

I can hardly bear to think of the Jimbo Sir Peter must be in now he has retired; how does he try out his muscles every morning without the challenge of those 62 flights? How he must miss that private satisfaction of greeting his visitors at the lift door knowing that he has himself scaled the flights on foot. I suppose we had all thought of the skyscrapers of New York as giant "ego statements" but not many company chairmen take the climb to the top quite so literally.

The interesting thing about this new architectural series for BBC 2 by the independent producers Third Eye Productions, is that it deals with architecture without dwelling on buildings. *Architecture of the Imagination* explores built elements of our surroundings from the psychological, mythological and poetic points of view. There are five programmes, each one focused upon one element - the door, the staircase, the window, the bridge and the tower.

To extend the ideas examined in the programmes each evening a classic film will be shown that features one of the five themes. These films will

undoubtedly add a great deal to the series as they have clearly been so carefully selected. Last Friday, for example, the first programme, "The Door", was well supported by Fritz Lang's "Secret Beyond the Door". The whole series is anchored by the presence in each programme of the American writer, cultural historian and psychologist James Hillman, who provides a constantly illuminating commentary.

There is a risk in this sort of programme that the psychological approach to the everyday can look both obvious and contrived. James Hillman's approach is questioning rather than dogmatic and his manner is agreeably gentle. The viewer is allowed to let his own imagination roam - and this is unusual in television. Mark Kidel is clearly a very sensitive and visually literate producer and director. He seemed to me to have an excellent rapport with artists - and I have to say I found the artists' responses by far the most rewarding aspect of the programmes. It was noteworthy too how few architects there are in the programmes: can this be some comment upon the quality of their imagination?

Critics have the privilege of seeing all five programmes on video in advance and I can confidently say that, although the first programme last Friday on "The Door" was good, the series gets better and better as it goes on. The pairing of feature films and programmes that is particularly effective is that of "The Tower" and King Vidor's remarkable film based on Ayn Rand's book *The Fountainhead*. This is the film that

inspires men to become architects; it stars Gary Cooper as the architect/hero and I am sure much architectural arrogance can be blamed on the powerful imagery of this film. All architects will be glued to BBC 2 that night.

Last Friday's programme on the door introduced us to our guide, Mr Hillman, and with him an artist, a freemason and a Russian Orthodox priest. The ideas we have of emotional security and practical safety were considered as well as the role the door plays as a welcoming and an excluding agent. The film clips showed many a painting heroine slamming her door against the ravages of the world. The artist Ben Johnson has a calmer approach although he is obsessive about doors and indeed asks visitors to his studio to remove their shoes before they cross the threshold into his own world. He paints doorways and vistas endlessly and is as concerned with their physical reality as with their symbolism.

Father Benedict Ramadan almost took us into the inner sanctum of the Russian Orthodox Church behind the iconostasis which is the screen that separates the congregation and the area reserved for the priests. This was one of the most beautiful parts of the programme where the camera and the architecture were creatively used to inspire us with a sense of mystery. The discussion that James Hillman has with us and with himself in this first part of the series does raise important questions about private and public space. His conclusions about the open plan office and the way it con-



Deanna Petherbridge's paintings - of a "fantasy architecture" as she calls it - often include mysterious and somewhat disturbing staircases, many of which lead nowhere

dicts with our need for personal territory is significant. Perhaps architects do need the services of psychologists to help them avoid the errors they have certainly made in defining space as an abstract thing, not a worldly and everyday reality.

Try not to miss the pro-

gramme on "The Staircase" this Friday for the marvellous insights it gives into the work of the artist Deanna Petherbridge - a glimpse of her dream world is highly illuminating. It is the mixture of art, psychology and architecture that makes this a rewarding series. It should be compulsory

viewing for architects but more particularly for anyone engaged in architectural education. For anyone engaged with students of architecture every Friday in August must be spent in front of the TV: at last a holistic approach to a subject that has been isolated by architects for far too long.

Sponsorship

BT connects with the grass roots

BT increased its profits in the first quarter of the year - which is excellent news for the arts. Like many responsible companies BT allocates a percentage of its profits, half a per cent in practice, to good causes, which include the arts.

Last year BT profits were down so the goodies-bag shrunk from £15m to £14m, although Rodger Broad, who looks after the arts at BT, was able to negotiate an increase in his budget from £1.6m to £1.8m. This is by far the largest sum devoted by a UK company to arts sponsorship, and the probability of higher BT profits means it should grow again in 1994.

Broad must have the heaviest arts post bag in the land - more than 700 letters a day, most of which would like a cheque by return. The in-tray has grown by 40 per cent in the last eighteen months, reflecting the financial crisis hitting arts organisations.

Unfortunately most of BT's budget is tied up in long-term contracts, such as the National Touring Art Exhibition, organised by the South Bank to bring art to the regions, which mops up £1m over three years; Northern Ballet Theatre; and the biennial drama festival which finds fifty leading amateur theatrical companies simultaneously presenting a BT commissioned play, which this October is Peter Whelan's up-date of *A Midsummer Night's Dream*.

But nothing lasts for ever and BT's five-year sponsorship of the New Contemporaries Tour, at £65,000 a year, is up for re-appraisal.

This results in big media coverage (most of it unfavourable about the art on display) but small audiences, in contrast to the National Touring Exhibitions which are attracting steadily larger audiences but less publicity.

There are exceptions: last month's display of Picasso prints at Leyhill Open Prison proved such a happy example of a sponsored media happening that it is to be repeated in another prison.

BT avoids big splashy events in favour of grass roots arts involvement although it cares greatly about media coverage and value for money.

It is now pumping £200,000 into amateur music under the umbrella of the National Federation of Music Societies, and its latest project is *Voices for Hospices*.

On one evening in October 1994 thousands of singers throughout the country, in hundreds of separate locations, will sing *Messiah*, and hospices could benefit by up to £1m from box office revenues.

BT is putting up £20,000 towards administration and publicity.

Computers and art are enjoying a creative love affair and IBM is doing its bit to bless the union. It asked print students at the Royal College of Art to come up with their impressions of the IBM AS/400 computer.

For its £15,000 in prizes IBM took the copyright on more

than thirty art works which will decorate IBM offices and be reproduced as gifts to key customers, as well as ideas that can be used to pep up advertising copy.

It also allowed one computer to get a full artist's paint job, and is considering dressing up computers, not the most decorative of machines, with colour and design.

Being sponsored by a terminal is rather like being discovered in a handbag but Contact Theatre in Manchester and Tara Arts are happy to receive a £25,000 package from Manchester Airport T2, the T2 standing for Terminal Two.

The airport is proving a loyal supporter of local arts and is not afraid to back the experimental.

Most of the money goes towards a production of *Trifles* and *Cressida* which will open in September and then tour the world. Contact's audience is young people and Tara is the UK's leading Asian theatre company, attacking its first Shakespeare.

Whitbread's love affair with the Edinburgh Fringe intensifies. It is putting in more than £100,000 this year, with most going behind the Stella Artois brand, which keeps things humming in the Assembly Rooms.

In addition, Stella is sponsoring a Comedy Festival which embraces the three main Fringe venues, the Assembly Rooms, the Pleasance, and the Gilded Balloon.

Whitbread's Boddington brand will again be backing the Dream Tent in the Meadows, and the Supper Room is given over to Murphy's.

One unusual feature of the deal is that if the artists booked to star at the three venues, and Whitbread, fail to get the television coverage anticipated some of the sponsorship money will be withheld.

Meanwhile the Edinburgh Festival proper has again achieved its sponsorship target and - again - it is a record sum, £206,000, and an important contribution to this year's budget of £4.3m.

Scottish Power has shot ahead as the leading supporter with £55,000. The search is on for a broader base of backers rather than a reliance on Scottish financial institutions and other locals.

Jaguar made its first big contribution by hosting a party at which potential 1994 sponsors were met for the first time and entertained.

Barclays Bank is to sponsor, with £50,000, the spring 1994 tour of English Touring Opera (formerly Opera 80), which is taking *La Bohème* and *L'Elisir d'Amore* to fifteen venues in England.

The money will go towards expanding the chorus. Barclays has a tradition of sponsoring a touring arts company which gives it opportunities for local corporate hospitality. It previously supported London City Ballet.

Antony Thorncroft

Opera/Max Loppert

Monteverdi at Salzburg

The Salzburg Festival started out, in the early decades of the century, as a place of theatrical experiment. In the postwar era of Herbert von Karajan it developed into the epitome of the *Lebens-Fest*. Here the top names of the operatic and concert-giving world assembled for top fees in money-no-object performances at top ticket prices. Increasingly the "straight" theatre found itself consigned to the margins, by the time of Karajan's death, in 1989, the whole formula had become horribly decadent.

Now Salzburg is back on the road of experiment. This is the third year of Gerard Mortier's artistic directorship, and every where his horizon-widening approach is apparent. Trends and notions deemed unworthy of notice not long ago are energetically examined; significant composers and performers accorded non-person status by the previous administration are warmly embraced.

This year's modern-music compilations (Nono, Ligeti, Kurtág) offer a prime example. Nikolaus Harnoncourt, the pioneering Austrian period-practice conductor, offers another - uninvited in Karajan's day, since 1991 a mainstay of programming. Monteverdi offers yet another - *Orfeo* and *L'incoronazione di Poppea* staged with period-instrument accom-

paniment. Under Peter Stein, Salzburg theatrical tradition is excitingly refreshed; *Orpheus* under Deborah Warner (European debut) is already a big talking-point. (I shall return to the new *Orpheus* in a subsequent report.)

Not everyone is happy. The old guard continues to rumble against Mortier's combative management style. The record companies, for whom Salzburg was once a licensed showcase, are unhappy. At a first-week press conference the Vienna Philharmonic wondered aloud whether it was still loved and valued here. Mortier's announcement that next year's Beethoven symphony cycle would go to the Concertgebouw and the Chamber Orchestra of Europe can hardly have been irrelevant to such musings.

New patterns of audience attraction are incompletely formed; in these recessionary times, ticket sales are down. And artistically not everything this year has come quite right - even someone wholly in sympathy with Mortier's vision has to admit as much. The two Monteverdi productions make the point: *Orfeo* in the courtyard of the Residenz, *Poppea* in the vast spaces of the Grosses Festspielhaus. Both succeed as splendidly, attention-grabbing events; both find different ways of (to my mind) cruelly diluting the profound

seriousness, the very modernity of the works in question.

Orfeo is a Re-interpretation in Capital Letters by producer-designer Herbert Wernicke (a figure of note in continental opera houses so far unknown in Britain). In a daring visual conceit, a gigantic mock-up of the Residenz courtyard facade itself serves as set, slashed and knicked by a great scarlet gash.

The opera's dramatic personae are - here we go again! - in modern-day evening dress, evidently engaged upon a wedding party for Orpheus and Eurydice at which things get out of hand. Events, some of them dispersed to vertigo-inducing heights, are re-thought in what one can only assume is Wernicke's dialectical confrontation of the original libretto.

The trouble is that his "new" *Orfeo* plot proves obscure (at one point Eurydice dies then recovers, at another Orpheus stabs himself, lacking in its own strict logic, drenched in modern cliché; since moments of illumination were scarce, one ended up feeling that the cord of artistic tension connecting Monteverdi's time and our own had been frayed beyond repair. René Jacobs's slack, slow-tempo conducting of the Concerto Vocale was no help. Nor was the mediocre singing, though Laurence Dale (a baritoneally rich, sensitive tenor Orpheus), Susan Graham

(La Musica), the veteran Jules Bastin (Charon) and Monica Bacelli (an Italian Messenger, *mirabile dictu*, with blessedly idiomatic enunciation) provided exceptions to the latter rule.

Poppea - surtitled in English and German (a Salzburg first), with Harnoncourt using a huge Concentus Musicus for his fancy Monteverdi edition - was a bloated burlesque. In Jürgen Föllmer's production much jokey time-travelling (e.g. guards with portable TVs) clogged the severely logical thought-lines of this terrifyingly austere, intimate music-drama. No doubt, given the absurd choice of venue, some such enlargement was inevitable. This one was unforgivably coarse in spirit and even coarser in general singing style, with verismo phrasing that only underlined the preponderance of poor Italian diction.

Recitar cantando, indeed! Harnoncourt's reputation as a Monteverdi guru must surely have taken a knock. On the other hand, the reputations of the few really accomplished singers on hand - Sylvia McNair a deliciously cool, subtle Poppea, Philip Langridge an authoritative tenor Nero, Kurt Moll amazingly refined and stylish as Seneca, Andrea Rost a youthfully pure Drusilla - will only be enhanced, and deservedly so.

Wembley Stadium

Prince

O h dear: Prince has shrunk - in imagination, in impact, in showmanship. The attraction of the world's greatest one-man disco was that, although knees high to Wayne Sleep, he thought big. At a Prince show you could relax in the presence of gilt beds that hovered above the audience, space pods to ferry in the star, cartwheeling dancers and plenty of them, mighty voiced backing singers, giant screens, and lashings of innuendo. It was the night club of your dreams.

On this tour Prince is thinking small, a terrible mistake at Wembley Stadium which is only kind to megalomaniacs. Even his opening number is a joke against the audience. Some fireworks explode fitfully, and a harness descends to the stage bearing a figure shielded in a gold mask singing "My name is Prince". On reaching landfall there is a quick strip and instead of the man himself there is a convulsive girl dancer. Prince actually walks on to the stage.

It doesn't take long to realise that Prince had to keep moving because his songs are very sedentary. Even the hits from the past - and the act contained most things from "Purple Rain" to "Sign o' the Times" - would scarcely make "Your Humdrum Best" seem, and the recent stuff is doubtful re-treads. So

its all down to the sizzle.

The lone dancer does her best, undulating through a dozen costume changes, but the band seemed in bolshie mood, often trying to drown out the boss rather than to back up his piercing voice. It was almost inevitable that the stage was so arranged that sitting in one of the more privileged seats I never actually saw the musicians live, only conveyed through the side screens.

Of course there were moments to draw in the breath - a thousand streamers raining on the crowds; a light show to dazzle the most jaded eyes, turning the stage to oven red or incandescent white; plenty of Roman candles - but this seemed a melancholic Prince.

You actually felt he could have meant it at the finale when, as part of an interminably boring "joke" about what he calls himself these days (he prefers to be known as a symbol) he cries out "What's my name: take my name, I don't want it." Were we witnessing one of the most public breakdowns in entertainment history? It's a pity this moment of self doubt should be mixed up in a tedious routine in which the audience has to shout out the word, and the word is "come". It was time to go.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

BERLIN

MUSIC/DANCE
Jeunesses Musicales World Orchestra gives concerts on Sat and Sun at Gendarmenpark, with piano soloist Leif Ove Andnes (2548 9254). The 1993-4 season at the Deutsche Oper opens with a Ring cycle, first night Aug 24 (04249). Merce Cunningham Dance Company appear at Staatsoper unter den Linden on Aug 25, 26, 27. Daniel Barenboim conducts August Everding's open-air staging of Die Zauberflöte at Waldbühne on Aug 29 (200 4762).

THEATRE
Metropol-Theater has West Side Story daily from tomorrow till Sun, followed from Aug 10 to 15 by Evita (2036 4117). Freilichtbühne an der Zitadelle has open-air performances of Shakespeare's A Midsummer Night's Dream daily except Mon till Aug 15 (331 6920). Komödie has daily performances of Neil Simon's play Runaway (882 7893).

BONN

Belgian pianist André de Groote opens a cycle of Beethoven piano sonatas tomorrow at Beethoven-Haus. The cycle continues every Tuesday till Sep 28, except Sep 1 (852500). A long-forgotten comic opera by 18th century composer Christian Gottlob Neefe, entitled Die Einsprüche (The Protests), will be performed on Fri and Sat at the Arkadenhof of Bonn University (655088). Bonn Opera opens its 1993-4 season on Aug 28 with Prokofiev's ballet Romeo and Juliet, followed on Aug 31 by the first of five performances of the new Lyubimov/Schittke music-theatre place Hommage to Zivago (773867).

GENEVA

The summer jazz and concert series continues with Margaret Allison and the Angello Gospel Singers on Wed, and a one-man blues and folk evening with Chic Street Man on Fri, both at Théâtre de Verdure (388 3876). Dee Dee Bridgewater gives a concert next Mon at Hôtel de Ville (312 4353).

HAMBURG

The final week of the Kampnagel experimental theatre festival features a video-theatre work by German director Eva-Maria Martin, an evening entitled Arbeit Macht Frei by a theatre group from the north Israeli port of Akko, and performances by Colombian dance group Athenor Dance and American multi-media performer Rachel Rosenthal (270 5627). Hamburg's three-week music festival opens on Aug 22 and

focuses on Brahms, Schoenberg and Egyptian-Greek composer Jani Christou (1926-70). Conductors appearing at the festival include Gerd Albrecht, Kurt Nagano, Yuri Temirkanov, John Eliot Gardiner and Lorin Maazel (247747).

MUNICH

OPERA FESTIVAL
Tonight and Thurs: Donald Runnicles conducts the Rennert production of Don Giovanni, with Thomas Allen and Carol Vaness. Tomorrow and Fri: Marek Janowski conducts Nikolaus Lehnhoff's staging of Die Walküre, with Janis Martin, Nadine Secunde and James Morris. Wed: Roberto Abbado conducts Günter Krämer's new production of La traviata, with Julia Varady. Sat: Meistersinger with Bernd Weild and Lucia Popp. End of season (National Theater 221316).

NEW YORK

THEATRE
● Kees of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carver as the heroic homosexual window dresser (Broadhurst, 235 West 44th St, 239 6200).
● Angels in America: the first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200).
● The Who's Tommy: a stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete

Townshend, and director Des McAnuff (St James, 246 West 44th St, 239 6200).
● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200).
● The Perfect Ganesh: Terrence McNally's poignant play about two middle-aged American women from Connecticut making a pilgrimage through India (City Center, Stage and 1, 131 West 55th St, 581 1212).
● Three Horses: a drama by Jon Robin Baitz in which a couple discover the spiritual cost of the rise to corporate power (Circle Repertory, 99 Seventh Ave South, at West 4th St, 924 7100).
● Born to Rumba: a musical about sex, sin and sacrifice, set in a pre-Castro Havana nightclub (Duo Theater, 62 East 4th St between Second Ave and Bowery, 598 4320).

MUSIC/DANCE

● Mostly Mozart Festival: tonight's concert features the Borodin Trio with Sergey Leiferkus. Orchestral concerts tomorrow, Wed, Fri and Sat are conducted by Neeme Järvi. The soloists tomorrow and Wed are pianist Lilian Kalir and violinist Maxim Vengerov, and on Fri and Sat, pianist Garrick Ohlsson and cellist Antonio Meneses. Next Mon: William Christie conducts Les Arts Florissants. The festival runs daily except Sun till Aug 21 (Avery Fisher Hall 875 5030).
● New York City Opera: repertory for the next two weeks consists of Carmen and three Puccini operas - La bohème, Tosca and the original 1904 version of Madama Butterfly. A 15-performance run of Romberg's

The Student Prince opens on Aug 14. The first new production of the season is the New York premiere of Tippett's The Midsummer Marriage on Sep 9 (State Theater 870 5570).
● Alice Tully Hall hosts classical jazz concerts at 20.00 tomorrow, Fri, Sat and Sun (721 8500). This week's guest artist at Blue Note Jazz Club and Restaurant is George Howard, music at 21.00 and 23.30 daily from tomorrow till Sun. Next week: Rasburn Trio (131 West 3rd St, near Sixth Ave, 475 8592).

STUTTGART

LUDWIGSBURG FESTIVAL
This month's recitalists are Jessye Norman (Aug 6), Antonio Meneses (Aug 12), Paco Pena (Aug 13), Deon van der Walt (Aug 14), Barbara Hendricks (Aug 26) and Shlomo Mintz (Aug 28). Neville Martin and the Academy of St Martin in the Fields give a concert on Aug 25. The festival runs till Sep 26 (07141-949510).

VIENNA

The season of open-air performances in the palace gardens of Schönbrunn runs till Aug 14. Vienna Kammeroper's production of Don Giovanni alternates with a Moscow Chamber Ballet staging of Mozart's Requiem (513 0851).
● Dance Festival: the final week of performances at the Volkstheater features Stephen Patronio Dance Company from New York tomorrow and Wed, Regine Chopinot's Ballet

Atlantique on Fri and Sat, and Finnish National Ballet on Sun (935558).
● Klangbogen: highlights of this week's concert programme include a Mozart and Schubert programme tonight at the Konzerthaus with Ensemble Wien, a recital by a Japanese children's choir on Wed at Arkadenhof, a Mozart, Strauss and Bartok programme with European Community Youth Orchestra conducted by Leonard Slatkin on Thurs at Konzerthaus, and an original instruments concert with Musica Antiqua Köln on Sun at Theater an der Wien. There is also a series of Schubert song recitals at Lichtental (4000 8410).

ZURICH

KYBURGADE
Last year's inaugural event was so successful that the Kyburgade (Aug 12-17) seems certain to become a fixture on the map of chamber music festivals. It owes its unique atmosphere to the open-air setting of Kyburg Castle near Winterthur, and to the participation of one of Europe's leading young string quartets, the Cammina Quartet. They are joined this year by the Vienna String Sextet (Brahms, Bruckner), the Orlando and Cherubini Quartets (Mendelssohn Octet), the Basle Madrigal Soloists (Schütz), Monteverdi, Gabrieli) and Michael Collins, who joins the Manfred Quartet in Mozart's Clarinet Quintet on the opening night (Booking at Winterthur Tourist Office 052-212 0088, or Musikhaus Jocklin in Zurich 01-251 5900).

ARTS GUIDE

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Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.
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Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
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Samuel Brittan

Europe will still need a monetary system



No currency system lasts forever. The one that lasted longest was based on an intrinsically valuable commodity, gold, and arose from evolution rather than conscious government planning. But each attempt at a paper replacement has eventually come to grief. Whenever exchange rates are fixed or semi-fixed, long eyes are turned, from many different points of the political compass, on the supposed benefits of floating rates. Whenever rates are floating it is not long before demands are made for "stability", and schemes are hatched for the regional or worldwide pegging of rates.

A good case can be made in principle for saying that either extreme of purely floating rates or completely fixed rates, such as the gold standard or the now somewhat visionary EMU, would be better than the limping compromises with which the world has struggled. But until there is sufficient international government we shall have to continue limping along with mixed systems. National authorities will never be prepared for long to treat the exchange rate with indifference, like the price of tomatoes. Nor, on the other hand, will they give absolute priority to maintaining a parity over all other objectives at all times - whatever they say.

The postwar Bretton Woods system, in which exchange rates were tied to the dollar, served the world fairly well. So long as US inflation remained low, all that other countries had to do was to maintain their dollar parities as long as possible, while they imagined they were carrying out Keynesian demand management policies. Whether Bretton Woods could have remained without the inflationary financing of the Vietnam war we shall never know.

But it usually takes a shock of this kind to shatter a system of pegged exchange rates. In the case of the ERM, the shock

has been the costs of German unification and the German government's unwillingness or inability to finance these costs through normal budgetary means. As a result an interest rate policy which suited German needs has been prohibitively tight for other countries concerned to fight recession. It may have been too high for Germany too. In coming months German interest rates are likely to drop to levels which, had they been reached a little earlier, would have avoided the crisis of the ERM. One lesson is that, if a currency system is to work, the anchor country must concern itself with the stable growth of nominal spending in the whole area, which is something the Bundesbank has resolutely refused to do.

An independent but accountable central bank needs to have clear and unified leadership

Another lesson is that an independent but accountable central bank needs to have clear and unified leadership. An assembly of provincial notables, each of whom had one vote, might have suited Germany during its reconstruction period of the 1950s when the dollar was the only international currency that counted. It is hopeless for a leading world financial power, which is also at the heart of the European Community. A better model is the New Zealand Reserve Bank whose governor, Don Brash, is personally responsible for success or failure.

In a famous essay in favour of floating rates (in *Essays in Positive Economics*, published in 1953), Milton Friedman argued that insisting on fixed exchange rates, and making domestic costs adjust, was like refusing to shift the clock for summer time and exhorting people to get up earlier instead. But this analogy tells against some of the more far-fetched claims for floating

rates. For a frequent resort to exchange rate changes can be compared to shifting the clock by changing amounts every day in the illusory hope of saving people the need to make the slightest adjustments in their habits. If depreciation becomes not a very rare resort, but a way of life, employers and trade unionists become used to it and project further depreciation and inflation into their expectations. The great gain that the ERM produced for France was that it broke through the cumulative cycle of depreciation and inflation.

A European currency system will have to be rebuilt for two reasons. One is that a single market is incompatible with volatile and unpredictable exchange rates. There may be other and even more severe obstacles, such as different national rules and practices. But currency instability cannot be brushed aside by reference to futures and forward contracts.

Secondly, monetary policy cannot be indifferent to the exchange rate. For it is the main link between a country's price level and that of the rest of the world. The severe recessions in Scandinavia have shown that abandoning the exchange rate peg does not thereby enable a country to "go for growth". The different British experience is due both to the fact that the recession began much earlier and the use made of the period of ERM membership and tight money before that to foster a competitive and non-inflationary atmosphere.

Much now hangs on the European Monetary Institute which is due to start next January as successor to the Basle committee of EC central bankers, and which will attempt to co-ordinate monetary policy among EC members. It has been accepted by all members, including even the UK, which has insisted on the opt-out from full monetary union. A consistent monetary policy for the whole Community, aimed at a non-inflationary growth of spending, is both desirable for its own sake and as a precondition of exchange rate stability.

The United Nations at the weekend signalled a breakthrough in the search for peace in Bosnia-Herzegovina when Bosnia's President Alija Izetbegovic grudgingly endorsed a broad framework for a settlement.

The plan, unveiled by Lord Owen and Mr Thorvald Stoltenberg, claims to preserve Bosnia's sovereignty as a union of three constituent republics. In reality, this plan amounts to Bosnia's partition along ethnic lines.

Serbian and Croat leaders welcomed the constitutional agreement as the means to end the 18-month war which has killed tens of thousands of people and driven 2m from their homes. The agreement, if it sticks, sanctions a Serbian victory. Bosnian Serb leader Radovan Karadzic and Serbian President Slobodan Milosevic, his main backer, have won their war. They have succeeded in destroying Bosnia and replacing it with a loose confederation of ethnic states.

The war was about territory. First the Serbs, then the Croats and finally the Moslems tried to grab as much land as possible. Mr Izetbegovic finally succumbed to international and domestic pressure, abandoning his insistence on preserving a united, federal state. At the weekend he told Radio Sarajevo that the "younger generations will be left to realise the dream of Bosnia".

Serb forces currently claim to control 72 per cent of Bosnia and the Croats about 19 per cent. They expanded their territory at the expense of the Moslems, Bosnia's biggest ethnic group, which comprised 44 per cent of the pre-war 4.35m population.

Mr Karadzic calls the war "inevitable" because Serbs could not live under Moslem rule after 500 years under the Ottoman empire. He claims the war was the combustion of centuries of suppressed ethnic hatreds.

But the jumble of mosques, Orthodox and Catholic churches - many of which are now in ruins - reflected the centuries of co-existence. "If everyone really hated each other so much, why were [there] so many mosques left to destroy?" asks Mr Haris Silajdzic, the Bosnian foreign minister.

General Ratko Mladic, Bosnian Serb commander, has masterminded the Serbs' path of destruction - burned villages, looted houses, and bombed-out factories. The Bos-

nian Serbs have tried to erase any vestige of Moslem heritage in Bosnia. Hundreds of mosques and graves have been systematically destroyed.

When the war began in earnest, Serb fighters, then backed openly by the Yugoslav People's Army, expelled hundreds of thousands of Moslems in eastern Bosnia. But their campaign passed nearly unnoticed as international outrage focused on the Serbian encirclement of Sarajevo. Few Moslems remain in eastern Bosnia, where they once comprised a majority. They are confined mostly to isolated government strongholds: Srebrenica, Gorazde and Zepa. These towns, three out of six "safe areas" proclaimed by the United Nations, are at the mercy of their Serb besiegers.

The war was waged mainly in towns where Moslems, according to the 1991 census, comprised the majority. Mr Milosevic and his proxies have nearly succeeded in achieving the ethnic division of Bosnia. This was unthinkable when the war began in April, 1992. Moslems, Serbs and Croats lived together in apartment blocks. In Sarajevo, the cosmopolitan capital, one-third of all marriages crossed ethnic lines.

But the international community, under the stewardship of the peace envoys, has now sanctioned the creation of ethnic states by force. Even Mr Izetbegovic at the weekend publicly admitted he was now defending "the Moslem nation".

Pushed into a corner, Mr Izetbegovic had little choice. The mediator first reinvented Bosnia's multi-ethnic "presidency" (the collective leadership elected in 1990), and then exploited already existing divisions within it. The 10-member body now remains split over the agreement. The three Serb representatives oppose any division of Bosnia, fearing the new Moslem state will have no place for ethnic minorities.

Many fear that the future that awaits each mini-state of the new Bosnian union is one



Victorious Bosnian Serb soldiers atop their tanks at the weekend

of ethnic dictatorship and violent racism - the opposite of the harmony promised by the peace envoys. The West, which so pompously adopted the principle of a multi-ethnic Bosnia at last August's London conference, has now unceremoniously abandoned it. The document adopted in London pledged to end the violence and reverse "ethnic cleansing", reaffirming Bosnia as a sovereign independent state.

Bosnian politicians, except for the three Croat members of the presidency, have criticised the new agreement. "Europe is abandoning the struggle to stop the rise of fascism," said Mr Selim Bešlić, the mayor of Tuzla, who is struggling to preserve his democratically elected multi-ethnic leadership. "It rewards the

aggressors and punishes the victims," he adds.

Lord Owen has been opposed to the republic's partition, saying it is not an ideal solution. While he has promised to fight on behalf of the Moslems to secure a viable state for them, he has so far failed to come up with the goods.

Mr Milosevic hailed the agreement because it "totally affirms Srpska republika", the self-styled Serb state. Mr Izetbegovic stressed that the agreement was "preliminary", explaining that the fate of Geneva talks hinged on negotiations over the maps.

The biggest challenge remains, in their relief at breaking the impasse, Serb and Croat leaders appeared to forget that all three sides in January also endorsed the constitutional principles of the

Vance-Owen plan.

If Lord Owen and Mr Stoltenberg hope to salvage any pretence of negotiating a fair and stable settlement to the war, then they will have to ensure that the Moslems are granted, as promised, at least 30 per cent of Bosnian territory in future negotiations over the details of a peace settlement. They must also ensure that the Moslems have guaranteed access through hostile territory to vital ports on the northern River Sava and the Adriatic.

In the current phase of negotiations, which produced this weekend's plan, there have been some ludicrous offers, among them Mr Karadzic's suggestion to build a tunnel out of Sarajevo, besieged and heavily bombed since the beginning of the war, for the 380,000 inhabitants to travel to other parts of their "state".

The co-chairmen reportedly are upset that Mr Karadzic has so far refused to withdraw heavy artillery, which was agreed at the London Conference, and break the siege of Sarajevo.

The Serbs have not offered to make any concessions. If the Moslems, are to have any chance of preserving a Bosnian state, then they must have control over the corridor leading to strategic ports and not be at the mercy of their Serb and Croat adversaries. The plan does not give control over the external borders of the entire new Bosnian union to the weak central government. It also leaves open the number of currencies to be circulated. The plan calls for demilitarisation of the Union, but it does not specify how this will be achieved.

"There are huge armies in Serbia and Croatia that are directly involved in the conflict," says Mr Nijaz Durakovic, an opposition deputy who is part of the Bosnian delegation.

The recognition of the collapse of a multi-ethnic Bosnia means the passage to ethnically-based states. Anti-nationalist Serb leaders are now asking where they will live. Partners of mixed marriages are wondering where they will go.

Mr Milosevic is in a hurry to reach a settlement, with the firm conviction that it will undermine the logic of the sanctions regime. Mr Karadzic has time on his hands. The remarkable lack of panic about the US plans to launch airstrikes reflects the Bosnian Serbs' belief that they have won the war.

Breakthrough for a broken land

Laura Silber assesses the peace plan for Bosnia-Herzegovina drawn up at the weekend

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Dynamic economies pinning futures on 'old-fashioned' coal

From Mr Richard G Tallboys.

Sir, As chief executive of the International Industry Association for one of the world's great growth industries, with coal producer members from 14 countries, I am repeatedly surprised at hearing British ministers and others referring to coal as being regarded worldwide as an old-fashioned fuel.

Where do they get their information? Who do they listen to? World production of hard coal has grown from less than 2,800m tonnes in 1980 to more than 3,500m tonnes in 1992. The United Nations Economic Commission for Europe forecast is for world hard coal demand to rise to 4,300m tonnes by the year 2010. Some forecasts predict that by then coal will once again take precedence over oil as the largest single source of commercially traded energy.

Many developing countries see coal as the most readily available and plentiful fuel for the generation of the increased electricity that accompanies the earliest stages of an improved standard of living. It is perhaps even more significant that the world's most dynamic economies around the Pacific Rim all plan to increase the use of coal.

Official plans for Japan, Korea, and Taiwan all forecast

a continuing growth in the use of coal for power generation. The latest forecast by Japan's Electric Power Development Company sees coal's share of Japan's energy mix doubling over the next decade as 28 new coal-fired power stations come on stream. Steam coal demand for electricity generation in Japan is seen as rising from 31m tonnes in 1992 to around 74m tonnes annually by the year 2002. Few countries are more environmentally conscious than Japan.

Huge investments continue to be made in coal-fired power stations using the technologies already available to ensure that coal can be burnt more efficiently and in an environmentally acceptable way.

Across the world economies with a good track record in backing winners are backing coal.

It would appear that almost every country with prospects for significant economic growth sees coal as a prime fuel to generate the electricity without which no country can provide the improving standard of living that their people expect.

Richard G Tallboys, chief executive, World Coal Institute, 3 Logan Place, Kensington, London W8 6QN

Lesser and greater evils of Israeli bombardment of southern Lebanon

From Mr Zaki Jaffe.

Sir, Your editorial, "Lesson for Israel" (July 28), calls for an explanation. Lebanon should be responsible for curbing the Hizbollah. Alas, Lebanon, being a "subsidiary" of Syria, allows it a free hand. Your leader speculates that Israel's activities will compromise the peace talks. Syria, the most important negotiator with Israel, is actively supporting the Hizbollah. To talk peace on the one hand and to terrorise the north of Israel on the other hand is simply unacceptable. And if Lebanon cannot curb the terrorists and Syria does not want to, Israel is left with no alternative but to "do the job" itself.

Comparing the situation to Bosnia is an unjust statement. Moslems in Bosnia had no choice but to flee, just because they were Moslem. [And yes, they fled, later, to Israel, not to England.] The Lebanese have a choice. The Hizbollah, like any other entity, cannot survive within a hostile population. Terrorism against Israel flourishes because Hizbollah is supported by the Shia inhabitants of south Lebanon. Let the government of Lebanon clean its back yard. Let the inhabitants of south Lebanon express their hostility to the terrorist group. Israel will welcome these inhabitants back.

No Israeli is pleased with these mass evacuations. It is

unfortunately the lesser of two evils, which alternative can be solved by Syria and Lebanon.

Zaki Jaffe, Fund Shefi & Co, 31 Ramban Street, Jerusalem 91-073, Israel

From Dr CWR Long.

Sir, Your editorial, "Lesson for Israel", is entirely correct. Israel's current military activities serve to heighten the radicalisation of the populations it so mistreats. The emptying of villages, the sacrifice of large numbers of innocent lives and the creation of yet more hundreds of thousands of refugees - at which Israel leads the world by far - will not enable it to achieve its professed aim of destroying Hizbollah, though it will no doubt end in the occupation of a further slice of Lebanon.

In the light of previous practice, it must be the presumption that no US-led coalition is going to treat Israel as it did Iraq, imposing sanctions and, if necessary, driving it from territory taken by force. Could it not, however, find it in its conscience to give at least a token indication of its unspoken disapproval of indiscriminate retaliation by, for example, suspending the cultural relations which link countries claiming to be civilised?

CWR Long, 33 Wynance Court, Newcastle upon Tyne NE1 7BG

Extent of Uruguay Round boost to trade is underestimated

From Mr Richard Blackhurst.

Sir, Samuel Brittan's recent article, "Trade and macroeconomics" (July 12), contained, as usual, a number of insights and arguments with which I am in complete agreement.

Two points, however, warrant clarification. The article refers to the General Agreement on Tariffs and Trade estimate of a "\$200bn (£133bn) per annum increase in world trade from a successful conclusion of the whole Uruguay Round".

In fact, the figure comes from a study by Jan Goldin and Dominique van der Mensbrugghe released last year by the OECD Development Centre. Their figure of \$195bn was quickly rounded to \$200bn.

Moreover, the figure is an estimate of the income gain (more goods and services produced from the same amount of resources) from a successful Uruguay Round, rather than an estimated increase in world trade.

It is also arguably an underestimate. It takes into account only the increase in market access for merchandise trade expected to result from the Uruguay Round and not increased market access for services. Furthermore, it is widely accepted that the strengthening of the GATT rules and their extension into new areas will also give an important boost to world trade and income by increasing the

predictability and stability of international trade relations.

Some readers may be puzzled by the cryptic nature of the sentence which, after noting that freer trade reallocates jobs more efficiently inside each country, adds "but it does not directly destroy or create new jobs".

Technically, it is true that freer trade leads to "fewer jobs than otherwise" in inefficient industries and "more jobs than otherwise" in export-oriented industries.

But it is also true that under a broad set of plausible circumstances, there will be an absolute increase in the number of export-related jobs. That is,

freer trade will lead to a net gain in employment in the export sector as compared to the pre-liberalisation period. Moreover, these jobs are likely to be higher-paying ones.

In the US, the typical manufacturing job in an export-oriented industry pays 17 per cent more than the economy-wide average, and there is no reason to assume that the situation is very different in western Europe. Freer trade creates new and better-paying jobs.

Richard Blackhurst, director, economic research and analysis, GATT Secretariat, 154, rue de Lausanne, Geneva, Switzerland

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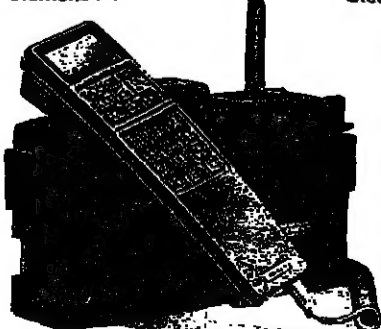
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Monday August 2 1993

High costs of going green

Environmental politics are entering a new phase. After two decades of frenzied environmental rule-making, attention is switching to questions of compliance and enforcement - and to the costs of cleaning up. Governments, pressure groups and industrialists need to take more account of that change if environmental policy is to move forward.

The raft of environmental laws and treaties which have been passed at both national and international levels has focused particularly on industrial pollution. The European Commission alone has issued about 200 "green" directives. This regulatory flurry has gone some way to answer the early campaigns of environmental groups.

Politicians have begun, rightly, to call for more uniform enforcement of these rules, recognising that countries can secure trading advantages - or suffer - from discrepancies in the way that environmental rules are applied. Last year's move to set up an EC network of pollution inspectors was a step in the right direction.

But better policing is far from the whole answer. A more measured approach to costs is also required. A dramatic example is the US Superfund programme to clean up contaminated land. The US General Accounting Office has suggested that the costs to the government's Environmental Protection Agency and the private sector could be \$300bn in 1990 money over the next 30 years, and that the defence and energy departments could face further billions of \$200bn. Complying with these regulations would undermine large parts of the banking and insurance sector. No wonder such compliance looks increasingly unlikely to happen.

New rules

Uncertainty about whether past regulation will be enforced can also stall important new rules. In the UK, a decision on whether to remove more of the traces of lead in drinking water, following new, tougher World Health Organisation guidelines, is becoming embroiled in the debate about whether EC pesticide standards are too high.

Governments should not try to conceal the fact that some past regulation is unworkable and that

priorities must be established between competing claims. In some cases they will be right, too, to re-examine the scientific and economic basis for the rules. The EC water directives, among the oldest of European green rules, are a case in point.

For their part, environmental pressure groups deserve much of the credit for the tightening of controls on pollution. But unless they recognise the change of mood, they risk being left out of the next phase of the debate. For example, they have not had much of a role in shaping European water standards because of their unwillingness to concede that some of the quality levels they are demanding go beyond what is necessary to protect public health.

On the sidelines

Similarly, they have been almost entirely excluded from the debate over Britain's coal industry, and may put themselves on the sidelines this autumn's UK government review of nuclear power. Coal-burning power stations are among the main causes of carbon dioxide emissions, implicated in global warming, whereas nuclear power emits none. However, the main lobby groups entrenched opposition to nuclear power has led them to put more weight than is yet credible on the potential of energy efficiency schemes and wind and wave power as alternatives to coal.

But if the environmental groups are to play a bigger role in the debate about compliance and to have a change of talking the public, whether companies are meeting pollution regulations, they need more information. Too many details of industrial emissions are kept hidden on the grounds of commercial confidentiality. Making companies publish data on the amount of waste discharged to sewers would be a start; so would releasing more reports from the many government committees studying the health effects of pollution. Ultimately a civilised policy towards the environment will depend on all parties concerned being fully informed and seeking agreement both on what is desirable and what is affordable.

This is the second of a series of articles on environmental issues. The first was published on July 31.

Management by machismo

The message from IBM and a number of other big concerns could not be more clear. Jobs in almost any type of western company, at any level, are no longer secure in today's brutally competitive global marketplace. But what is less well understood is the need for companies to replace naked insecurity among their workforce with a redefined set of relationships to motivate those employees whom they wish to retain. The nature of those relationships, explicit and especially implicit, will dictate each company's productivity, flexibility, creativity and competitiveness.

The pressures to cut, cut and cut again have become irresistible in certain industries and companies - especially those, like IBM, which have taken far too long to adjust their corporate strategies to the new realities of their particular marketplaces. Even strategically healthy western companies, such as US General Electric, have delayed, "downsized" and redefined their activities, redefined their "competences" and businesses, and sold or subcontracted the rest. Many companies are now moving onto some form of "business process re-engineering", which in plenty of cases will reduce jobs further.

Employee morale

Mr Lou Gerstner, IBM's new chairman, is undoubtedly right to be wielding his hatchet. But this is not a sustainable way to run a company over time. Academic research has shown consistently that, while fear may motivate in the short term, prolonged uncertainty creates a fall in employee morale and productivity which is hard to halt, let alone reverse. Many of the best employees leave, while the rest are inclined to put their heads down and cease to give their all.

Companies which take this approach are practising the antithesis of the adage that "our employees are our greatest asset". Their behaviour contrasts starkly with the continued striving of large Japanese companies, even in their

Sideways careers

There are plenty of models to choose from. One of the best-known is Professor Charles Handy's "shamrock", with its three leaves: "core professionals", "the contractual fringe" and "part-time or temporary workers". Three characteristics, in particular, are common to all the models. First, the need for many people to develop "sideways" careers and a "portfolio" approach, instead of expecting to climb steadily within a single company and remain with it throughout their working life. Second, the consequential need for each employer to provide every-one with the time, opportunity and resources for continuous professional development, so that their skills remain up-to-date and tradeable. Third, the need for all kinds of flexible working arrangements to be encouraged within each category.

None of this is mere theory. Silicon Valley companies have been applying various elements of it for some time, as have some archaic, traditional practices since recession forced them to slash their permanent staffs. One of the most striking examples is the external "managed contracts" under which Manpower, the employment services company, provides staff for various companies, including IBM. Not all organisations will wish to be "managed" or flexible. But they all need their employees' commitment, and must take steps to re-engage it.

Apple Computer today launches the Newton MessagePad, the first product of its much belaboured efforts to create a multi-billion-dollar market for "personal digital assistants" combining computer, communications and consumer electronics technologies.

The pocket-sized MessagePad can store, send and sort hand-written messages and notes and keep track of appointments. It is almost an electronic secretary. Scrawl "Call Mary" on the electronic tablet and it will automatically place the call. "Lunch with Bob, Friday" becomes an entry in your diary at your regular lunch time.

Yet, while John Sculley, Apple chairman, is telling customers that Newton will play a central role in the "digital age", Michael Spindler, who recently replaced Sculley as chief executive, must deal with the less appealing issue of Apple's declining profits.

Newton may boost Apple's reputation as top innovator in the computer industry, but it is unlikely to make a big contribution to its earnings. Polishing up Apple's image could prove easier than repairing the company's tarnished earnings record.

Last month, Apple reported the worst quarterly results in its 17-year history: net losses of \$188m, after a \$20m pre-tax charge for 2,500 job cuts; operating profits down from \$212m to just \$17m (including interest and other income) on soaring costs; revenues up 7 per cent to \$1.56bn, but short of Wall Street's expectations of about \$2bn.

Apple's financial slide has raised serious doubts about whether the company can continue to invest heavily in research and development, the foundation of its success. Sculley's technology vision seems out of synch with harsh economic realities.

As Lou Gerstner, IBM chairman, put it bluntly last week when revealing plans for drastic cuts at Big Blue: "If you are going to have a technology vision, the first frame had better be making money."

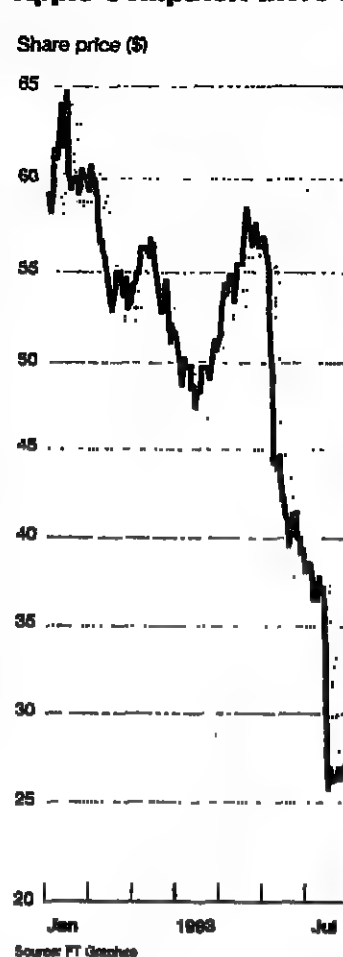
Ironically, Apple, the archetypal high-tech start-up company hatched in a Silicon Valley garage by two young technology enthusiasts, now faces problems similar to those of IBM, the established industry giant, albeit on a much smaller scale. Both companies have relied for too long on proprietary technology - IBM with its mainframe computers and Apple with its Macintosh personal computers (PCs) - letting competitors overtake them.

Throughout the 1980s, Apple charged premium prices - and maintained high profit margins - because its Macintosh technology gave it an advantage over PC rivals.

The computer maker is pinning its hopes for improved earnings on its new product line, writes Louise Kehoe

Apple looks to Newton's law

Apple Computer: more fruitful times ahead?



Michael Spindler, chief executive

That advantage has been virtually wiped out in three years by Microsoft's Windows, a program giving Macintosh-like ease-of-use features on all other PCs. With some 30m copies of Windows in use, it has become the standard operating system for PCs, the preference of corporate buyers and the platform favoured by developers of PC applications programs.

Forced to compete head to head with other PC makers, Apple launched a bold but risky bid, in late 1990, to increase its share of the PC market by lowering prices. For a time, the strategy seemed to pay off. Apple's share of the world market rose from about 8 per cent in 1990 to 12 per cent by the end of last year. But there it has stayed, despite continuing price cuts.

Apple may have stretched the Macintosh market to its limit. "The Apple Macintosh appeals to a certain type of customer," says Amy Wohl, an industry consultant and long-time Apple watcher. "Dropping prices does not expand the scope of Apple's market very much."

Wohl says Apple missed its chance in the mid-1980s to establish its unique Macintosh software as an industry standard. If Apple had licensed its software to other computer makers, before Windows took off, the company might be the market leader today, she suggests. Instead, the technology that Apple once called its "crown jewels" now weighs heavily. Macintosh is not compatible with other PCs, so Apple has been limited to a narrow market segment while competitors have met the broader demand for standards-based PCs.

There have also been tactical errors. Apple began the financial year starting last September with a huge backlog of orders for the latest versions of its Macintosh PCs, but was unable to fulfil demand throughout the first half of the fiscal year. While competitors were lowering their prices, Apple held back until recently, not wanting to undercut the price of products which customers were waiting for.

When Apple was finally able to increase production to meet back orders, the company found many buyers had purchased competitors' PCs at lower prices.

Another factor affecting Macintosh sales is uncertainty surrounding future products. Next year, Apple plans to launch a range of computers based on PowerPC, a more powerful microprocessor technology developed in partnership with IBM and Motorola, the second-largest US microchip maker. Although Apple has assured software developers that their products will run on PowerPC computers, potential Apple customers fear that, when they buy a Macintosh, it may be the last in the line.

Sculley is taking much of the blame for Apple's predicament. Crit-

ics charge he spent too much time exploring new technology and not enough on Apple's core PC business. However, Spindler, in his previous role as chief operating officer, was the steward of Apple's PC business long before his promotion to chief executive in mid-June.

Handing off the chief executive post to Spindler was "a non-event", Sculley said, because it merely made official a division of powers that had been in place, with Sculley immersing himself in creating opportunities for Apple and Spindler running daily operations.

The question now is whether

Need to legislate now on privacy law



PERSONAL VIEW

The least attractive attribute of British newspaper editors is their penchant for propagandising against a fundamental human right. They have been at it again in the past few days, denouncing and

distorting the modest proposals by Lord Mackay, the Lord Chancellor, to give UK citizens the kind of protection against invasions of their privacy as is enjoyed by other Europeans, and by Americans and Canadians.

In fact, the real objection to Lord Mackay's "consultation paper" is that it calls for "consultation" rather than action. It is a further delaying device by a government that does not have the guts to cause discomfort to the newspapers which promoted its election.

The Lord Chancellor proposes no more than a new cause for action in the county courts (for damages up to a mere £10,000) to compensate individual victims who have suffered "substantial distress" as a

result of harassment or molestation, or revelation of intimate personal details about health or family relationships. The victim must prove invasive conduct of a kind which would cause anguish to someone of ordinary robustness; this may be defeated by proof that the conduct aimed to serve the public interest.

These are moderate recommendations, although objections of principle can be made to their legal fine print. It is wrong to place upon defendants the burden of proving such "defences" as consent, lawful authority, and public interest. It should be for the plaintiff to show these considerations cannot justify the invasion of privacy - to show, for instance, that the public interest is not involved.

The only real danger to media freedom is the consultation paper's suggestion that pre-publication injunctions should be available on the "balance of convenience" basis appropriate for other torts. This approach is both unprincipled and petty-fogging: press stories should only be suppressed where there is no basis even for arguing that they could serve the public interest.

The worst feature of the consultation paper lies in its refusal to countenance any extension of legal aid. At present, legal aid is denied only for libel actions, originally on the ground that the poor should not be encouraged to bring their "over-the-fence" squabbles to court. The paper gives a wholly inaccurate justification for this unjust discrimination and concludes that the poor

The worst feature of the document lies in its refusal to countenance any extension of legal aid

should be as powerless to protect their privacy as they are to protect their reputation because "resources are very limited".

So they are, but if this tort is to have any deterrent effect on the buggers, eavesdroppers, data-defilers and dirty tricksters, it is absurd to confine the remedy to the rich.

A belated recognition by the civil law of a right to privacy might be

thought to be the minimum step necessary to fulfil the promise of Article 8 of the European Convention on Human Rights. It will not be much used (most victims of privacy invasions do not wish to relive their experience in open court) but the occasional courageous plaintiff will set important precedents which will make data collectors, private detectives, and gutter journalists mind how they go.

The role of the newspaper industry in opposing and delaying a civil right to privacy is both contemptible and counter-productive. It has involved an expensive public relations exercise - originally by the Press Council and now by the Press Complaints Commission, which falsely claims to protect privacy by "voluntary self regulation".

The real danger to press freedom is that editors are behaving like the boy who cried "wolf". The Lord Chancellor's proposed remedy is, with some amendments, no danger to investigative journalism - unlike the draconian criminal privacy laws devised by Sir David Calcutt, or the statutory quagmires recently threatened by parliamentary committees

and private members' bills. Acceptance of a civil remedy for invasion of privacy would end the clamour for these oppressive alternatives, and free editors from their obligations to trumpet, dishonestly, the virtues of the PCC.

They could instead point out that it is time for this government to stop "consulting" and to start legislating - not only to provide citizens with some legal protection to their privacy but to fulfil its alleged commitment to openness by a Freedom of Information Act and by reforms to the laws of libel and breach of confidence. The case for greater freedom of important speech becomes more compelling once it is conceded that some personal matters are important only to the private individuals they concern.

Geoffrey Robertson QC

The writer is the author of "Freedom, the Individual and the Law", the new edition of which will be published by Penguin Books next month.

OBSERVER



any mention in his column. Soros's reputation for straight talking would be enhanced if he observed the same sort of rule.

Wygod's treasure

Meanwhile, another financier worth watching is Martin Wygod, who last week pulled off the \$6m sale of his nine-year-old company, Medco, to US drugs giant Merck. Wygod has done a good job building Medco into a market leader and deserves the near \$100m he will collect on his shares in Medco. But should he also get a special finders fee?

Back in 1984, it seems, his fellow directors agreed that Wygod would get 2 per cent of the consideration if the company were ever sold (they later cut this to 1 per cent). Such fees are standard among private companies in the US, but less common in public ones. Wygod's nice little earner has already caught the attention of the United Shareholders Association pressure group, and it would be surprising if it did not attract a law suit from a disgruntled shareholder focussing on possible conflicts of interest. The fact that Wygod has agreed to reinvest the fee in Merck shares is not good enough.

Cake walk

After the hamburgers come the doughnuts. Following the advances of McDonald's and Burger King in Poland, Warsaw cake-maker Blikle is on the way to franchising its indigenously famous brand name nationwide.

The expansion launched by company chief Andrzej Blikle, seconded by former Barclays de Zoete Wadd executive Piotr Piatniski, crowns the company's 125 years of making and selling cakes in the centre of the capital. When the original shop was destroyed in the 1944 Warsaw uprising, the operation was moved next door and stayed open throughout communist rule. Five more shops are already in the offing. But the company boss

- whose son, Lukasz, is also in the business - says that while following the hamburger outlets' commercial strategy, he's not going to endanger Blikle's quality reputation by also following them too far down market. Whether that amounts to trying to have his cake and eat it, only time will tell.

Hot property

When Bill Hussey, well-known boss of Ghana's Ashanti gold mine, was picked to be operations director of the newly-formed Bakrychik Gold, he was surprised to learn that his new workplace might be hotter than his last.

After all, the arid North eastern steppes of Kazakhstan, where Hussey is being sent to develop a 9m oz gold mine, is considerably closer to the Arctic circle than Ghana. But Hussey's latest challenge also happens to be just 250km west of the former Soviet Union's nuclear test sites. However, it was a false alarm. According to Hussey's peeper counter, detectable radiation levels at his new mine are less than the World Health Organisation standards.

Dining out

Sign outside a Mexican restaurant in Richmond, Surrey: Come inside and try our Jurrasic Pork fajitas. But some now before they become extinct...

IRI postpones disposal of SME canned foods unit

By Robert Graham in Rome and Ian Rodger in Zurich

IRI, Italy's state holding company, will postpone until at least September the sale of Cibo-Bertolli-De Rica (CBD), the canned foods division of its foodstuffs group, SME. It claims the bids received are inadequate.

The IRI board approved on Thursday the disposal of its 62 per cent stake in SME's frozen and baked foods division, Finitelgel, for L437bn (\$273.5m) to Nestlé, the world's largest food group.

Finitelgel's main subsidiary, Italgel, is the second-largest group by sales of frozen foods and ice cream in the Italian market after Unilever, while its Gruppo Dolcetto Italiano makes cakes.

Nestlé has a big presence in

several food sectors in Italy, but none in ice cream or frozen foods. The purchase would give it a 27 per cent stake in the ice cream market and 15 per cent in frozen foods.

The failure to find a suitable buyer for CBD represents a setback after a smooth start for debt-burdened IRI's privatisation programme.

Among those bidding for CBD, which has the best-known brand names in Italy's canned goods sector, was Unilever.

The IRI board reportedly felt the final offers were from bidders interested only in parts of the business. There has been strong union pressure to keep CBD intact to preserve jobs, especially in southern Italy.

IRI is likely to begin talks with the final bidders, as well as those who had pulled out,

such as Parmalat and Eridania Beghin Say.

It hopes to establish which group wants to buy specific parts of CBD and ensure the benefit of the break-up price is retained.

Nestlé had long been a front-runner to buy Finitelgel. Analysts said the deal would significantly raise the size and profitability of the Swiss group's ice cream and frozen foods divisions. Nestlé said it aimed to develop some Finitelgel brands in other European countries.

The deal values Finitelgel shares at L1,550 each. On this valuation, the whole company, with brand names such as Alimagna and Motta, is worth L700bn. Nestlé estimates Finitelgel sales will reach the equivalent of SF790m (\$596m) this year.

Banesto slides as provisions take toll

By Tom Burns in Madrid

BANESTO, the Spanish commercial bank, is putting aside Ptas2.4bn (\$377m) of its 1993 first-half income to provisions, a 218 per cent increase on its allocation for bad loans in the first six months of last year.

The dramatic increase brought pre-tax profits down to Ptas7.7bn, an 82.5 per cent drop on the 1992 first-half figure of Ptas33bn. Banesto did not release a first-half net profit figure.

The strict savings policy had been outlined by Mr Mario Conde, chairman, to shareholders in May, when he announced the bank would not be paying its final 1992 dividend and would transfer all its 1993 first-quarter income to bad loan provisions.

The move is understood to stem from advice given to Banesto's board by the US investment bank J.P. Morgan, which is masterminding a rights issue and an international share placement designed to improve the Spanish group's weak capital base.

Banesto claims some 75 per cent of the rights issue has been subscribed with a week's trading to go. The demand puts the group on course to raise some Ptas2.6bn in what is the first tranche of the three-part capital-raising plan drawn by J.P. Morgan.

In the second tranche, Banesto will place 22.2m shares, priced at Ptas1,900 each against a current market price of just over Ptas2,000. The placement is with a group of investors including Mr Conde and several US institutions that have joined J.P. Morgan's \$1bn Cor-sair fund. The third stage of the capital-raising venture involves a \$400m convertible bond which could be issued this autumn.

The high first-half provisioning comes despite improved business in the second quarter of this year. Mr Conde said earlier this month that fee commissions in April-June realised Ptas10.5bn, 11.5 per cent up on the first quarter of last year. Average monthly borrowing on the interbank market had been reduced to Ptas236.6bn last month from Ptas287.9bn in May.

Banesto's provisions now cover 66 per cent of debt, against 46 per cent at the end of 1992, a ratio which is still low when set against standards in the Spanish banking sector. These come close to 100 per cent coverage of non-performing loans.

Aetna cautious despite advance

By Karen Zager in New York

AETNA Life & Casualty, one of the largest US composite insurers, turned in improved results for the second quarter. However, it said earnings remained unsatisfactory.

For the three months to June 30, it posted net income of \$146.1m, or \$1.32 a share, compared with a loss of \$45.2m, or 41 cents, a year earlier.

Operating earnings before extraordinary items were \$150.8m, against a deficit of \$73.1m a year earlier.

Mr Ronald Compton, chairman, said results from core

businesses were on track with expectations, but that company results continued to reflect unfavourable conditions in commercial real estate markets.

The Hartford, Connecticut-based company said its commercial property and casualty insurance services earned \$35m in the quarter, against an underlying loss of \$25m last year, before a \$26m reorganisation charge. Catastrophe losses narrowed to \$8m in the latest quarter, from \$11m.

Aetna's financial services business recorded net income of \$17m in the quarter, com-

pared with a loss of \$22m before reorganisation charges of \$4m a year earlier.

The personal property-casualty services turned in net income of \$12m, against \$6m the previous year, before reorganisation charges of \$30m.

For the first half, net income rose to \$338.7m, or \$3.07, against earnings of \$73.5m, or 66 cents, a year earlier. Excluding extraordinary items and the impact of adjustments, income from continuing operations rose to \$290.1m from \$81.3m. Revenues eased to \$8.62bn from \$8.78bn.

Japan bails out credit group

By Robert Thomson in Tokyo

THE JAPANESE government is to provide ¥150m (\$160m) to help restructure an Osaka credit co-operative. The move is another sign of official concern about deteriorating public confidence in some smaller financial institutions.

Osaka Fumiki Credit Co-operative, with 2m estimated ¥50bn in non-performing loans, is to be absorbed by another credit co-operative in the region, Osaka Kogyo. It is the first co-operative to receive assistance from the Deposit Insurance Corporation, which insures individual deposits up to ¥10m.

The co-operatives are due to merge in November, and the ¥50bn in problem loans will be transferred to the Osaka Soci-

ety of Credit Co-operatives, which will buy them for ¥35m. Osaka Fumiki was heavily exposed to the property market and to the trading house-turned-speculator Itoham, which itself has been taken over by the Sumitomo group.

The use of government funds, which the DIC said was necessary to "maintain the soundness of the financial system", follows similar assistance to the ailing Kansai Shinkin Bank. The bank is to be liquidated later this year.

It is understood that about 11 stable, small local banks are receiving assistance from the central bank. Zenshukai, a credit co-operative, has also been a victim of mergers among credit co-operatives, which are suffering from a lending hangover and an increase in company bankruptcies.

The smaller financial institutions have faced increased competition from Japan's larger commercial banks, whose share of consumer credit has risen to 36.9 per cent in 1991 from 14.6 per cent in 1987.

In an attempt to attract customers, some smaller institutions offered higher interest returns, increasing their costs. The pressure on small, regional institutions is particularly severe because of close ties to companies in their local area.

This has tempted some to continue lending to these old clients even if their business prospects have deteriorated. With larger banks wary of taking on new branches, the government is having to bear an increasing amount of the bail-out burden.

Takeover saves Peoples Jewellers

By Robert Gibbons in Montreal

PEOPLES Jewellers, Canada's biggest jewellery chain, has been saved through a last-minute takeover by a chairman Mr Duff Scott, a Toronto businessman and former head of the Toronto Stock Exchange. He is backed by the Bank of Nova Scotia.

A new company headed by Mr Scott is taking over Peoples' assets, including about 200 stores and involving about 1,500 jobs. The founding Gerstein family will end all connections with Peoples.

A wing of the Gersteins blocked a financial restructuring of Peoples last Thursday, forcing the Ontario court to put it into bankruptcy. On Friday, the bankruptcy court reached agreement on a C\$70m (US\$54.7m) takeover with court approval.

The bank, owed more than C\$100m by the old Peoples, is financing the purchase by the new company and has extended a new \$30m line of credit.

About 12 stores have been shut, but the rest will remain in operation. The defeat of the old restructuring, however, means common shareholders and unsecured creditors will not get their money back.

Northwest restructuring continues to hit profits

By Richard Waters and Karen Zager in New York

NORTHWEST Airlines, the fourth-largest US carrier, suffered a \$105.2m after-tax loss for the second quarter, after taking a charge of nearly \$100m linked to its financial restructuring.

However, Mr John Dastburg, president, said the restructuring had resulted in new agreements with labour unions and financial records which "substantially reduce our operating costs and restructure our debt and other financial commitments to manageable levels".

The company now had one of the most competitive cost structures of all US airlines, he said.

3M up slightly at \$331m

3M, the US manufacturer of adhesives, magnetic tapes and other industrial and consumer products, turned in a second quarter net income of \$331m, or \$1.51 a share, writes Karen Zager.

A year earlier, it earned \$317m, or \$1.45. Sales were essentially flat at \$3.54bn, up from \$3.52bn.

Mr L. D. DeSimone, chairman, said the company expected higher earnings for the

Results were announced after members of the flight attendants' union had ratified the agreement, under which Northwest has stayed out of the bankruptcy courts, clearing the last hurdle to acceptance of the plan.

Northwest returned to profit at the operating level in the second three months, with \$19.7m, as turnover climbed 7 per cent to \$2.1bn and operating costs slipped 0.6 per cent. Other expenses of \$101m led to a loss of \$81.3m before the restructuring charge and a tax credit of \$45.4m.

The net loss for the period, of \$136.2m, compared with a loss of \$146m a year ago, when the company had reported a \$77.8m tax credit.

year as a whole, in spite of a difficult economic environment and unfavourable currency translations. Like many other companies, 3M is finding Europe a particularly challenging market.

For the first half, net income was \$661m, or \$3.02, on sales of \$7.06bn, against earnings of \$623m, or \$2.83, on sales of \$6.96bn. In the 1992 period, 3M took charges of 2 cents a share for accounting changes.

Qantas chief to resign

MR John Ward, chief executive of Qantas Airways, is to resign this month, ending speculation about his role at the Australian carrier after the arrival of British Airways as a major shareholder. Reuter reports from Sydney.

Mr Ward, chief executive since 1989, said he had decided to resign for a "whole host of reasons", but denied the decision had anything to do with British Airways. Speculation about Mr Ward's future emerged after it was revealed he had not backed the idea of a foreign carrier taking a big stake in Qantas.

His position will be filled in the short term by chairman Mr Gary Pemberton.

US aerospace head to retire

MR Gerald Johnston, president and chief operating officer of McDonnell Douglas, the US aerospace group, plans to retire at the end of this year, Reuter reports.

Mr Johnston, 62, said although his health had improved since his return to work last October from a serious illness, he could not give the job as much as he used to.

Sales decline hurts result at Asahi Glass

By Robert Thomson

ASAHI Glass, the leading Japanese maker of glass products, reported an 11.7 per cent fall, to ¥20.05bn (\$190m), in pre-tax profit for the first half to June. It blamed the result on falling sales of glass and construction materials along with private construction orders in Japan.

Sales for the period were down 0.7 per cent to ¥484.4bn, compared with a year earlier, with core glass and construction material sales down 2.4 per cent. Those of electronics

equipment were 15 per cent higher.

Asahi Glass is a leading supplier of glass bulbs for televisions, demand for which has been in decline for the past three years. However, the company is continuing to expand its own electronics operations, which now account for 5 per cent of sales, including magnetic disks and optical fibres.

"It seems that a business recovery will require more time," Asahi Glass said.

For the full year to the end of December, the company is forecasting a 0.8 per cent

increase in sales, to ¥1,020bn, and a 2.4 per cent rise in pre-tax profit to ¥41bn.

● Oji Paper, one of Japan's two biggest paper makers, is divesting production of certain quality coated papers to meet monopolies requirements ahead of its planned merger in October with Kanazaki Paper, which ranks seventh in the industry, writes Gordon Cramb in Tokyo.


Oji said it was transferring production facilities and marketing rights for two types of specialist paper, used for magazine and book covers, to

Chnatsu Pulp and Paper, in which Oji is the biggest shareholder with 7.6 per cent.

A final sale to Chnatsu, the 12th biggest paper maker, would take place after three or four years.

The shuffling of assets forms part of a consolidation in the industry brought on by overcapacity, which has triggered a spate of mergers.

In April, Jujo Paper and Sanyo-Kokusaku Pulp united to become Nippon Paper Industries, with which the Oji-Kanzaki combine will vie for top slot.



All of these Securities having been sold, this announcement appears as a matter of record only.

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In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 29th October, 1993 has been fixed at 7.4375% per annum. The interest accruing for such three month period will be ECU 94.00 per ECU 1,000 Bearer Note, and ECU 1,880.03 per ECU 100,000 Bearer Note, on 29th October, 1993 against presentation of Coupon No. 6.

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Chinese issue highlights hunger for extra yield

THE hunger of US bond buyers for extra yield remains undiminished. That is the message from the continuing stream of "firsts" to hit the US bond markets: recent days have seen the first offering by a Chinese issuer, and the first 100-year corporate bonds to be sold for 40 years.

With the yield on US Treasuries back near historic lows at the end of last week, investors seem ready to consider anything that offers a decent yield premium. Last week's \$250m issue from China International Trust and Investment Corporation (Citic) spoke volumes about the new spirit of adventure among US bond investors.

A year ago, the issuer - a government-owned entity which finances joint ventures in China - would have been lucky to get a hearing in the market. Last week investors were prepared to give the Baa1/triple-B rated Citic 10-year money at a yield spread of only one percentage point over Treasuries, around a quarter of a percentage point lower than had been anticipated.

The fact that the size of the issue was raised from \$150m to \$250m said a lot about the strength of demand - even though there is little opportunity for investors to benefit from the sort of spread-narrowing which made early buyers of Latin American bonds rich.

Investors who felt uncomfortable with the political risk in Chinese

bonds have had the opportunity instead to lend to such comfortably familiar borrowers as Walt Disney, a rare issuer of straight bonds, and Coca-Cola. The twist: they won't get their money back for 100 years.

To many corporate treasurers and fixed-income investors, such long-dated instruments seem difficult to justify. For investors, there is the perceived risk of lending to companies which simply may not be around in 100 years.

Mickey Mouse and Coca-Cola may seem immortal today, but the Marlboro price cut this year has shaken investors' confidence in the longevity of premium-priced brands.

For treasurers, such long-term money raises different issues. Few, if any, can claim to have assets with such ultra-long lives against which to match the liability.

Why pay a premium over normal long-dated borrowing, however small that premium may seem? And how can they justify a move which has implications which stretch way beyond their company's planning horizon?

Walt Disney, whose characters are deeply engrained in the American psyche, probably has as much of a case as any for the durability of its assets. Mr Steve Schoch, assistant treasurer, says the Disney name and cartoon characters provide the long-term underpinning for the company. "Those characters

have had 50 or 60 or 70 years' life already, with increasing popularity around the world. There is no reason to expect that to fade," he says.

Disney's \$300m issue carries a yield of 95 basis points over Treasuries, while Coca-Cola's \$150m deal was launched at an 80 basis point spread. Such debt looks attractive compared with other components of a company's long-term capital. The 7.5 per cent coupon on the Disney bonds (issued at par) is equivalent to an after-tax cost to the company of less than 5 per cent, says Mr Jim Peirgriff of Morgan Stanley. With expectations of long-term inflation at between 3 per cent to 4 per cent, that leaves a negligible real cost of capital.

For investors, the argument for buying such debt is simple: extra yield. Treasury yields at all maturities are at historic lows, forcing so-called "total return funds" to look for extra returns elsewhere.

And though the 100-year maturity looks scary, the duration of the ultra-long dated bonds (that is, their average life, when all future cash flows are discounted back to present value) is only a little higher than a conventional 30-year bond. That is because the yield premium in the early years, in present value terms, makes up for much of the long-term cashflow. The Disney bonds have a duration of 13.7 years, while Coca-Cola's are just over 14

years, compared with just under 13 years for a 30-year bond. This extra duration, and the yield premium, are a way for investors to gear up their exposure to the long end of the bond market.

Perhaps surprisingly, given the popularity of the Citic and 100-year issues, yield spreads on conventional corporate bonds have not been driven lower by the hunt for higher returns. The spread on a typical 10-year bond issue from a double-A credit is around 40-50 basis points, much the same as it has been for some time.

The reason may be the sheer volume of bond issuance in the market this year. In the first three months, US companies raised a record amount through straight bond issues, a level which was almost matched in the second quarter.

The supply of new junk (sub-investment grade) bonds followed a similar pattern. The yield on the Merrill Lynch junk bond index at the end of last week was hovering around 400 basis points above Treasuries - back to its level of the late 1980s, before the crash that sent yield spreads out to more than 900.

There is some \$22bn of new junk bonds in the pipeline, says one analyst - nearly as much as the total issued so far this year.

The deluge of bonds has helped Wall Street brokers' houses report record results this year. Underwrit-

ing fee levels have held steady, at around 40 basis points, having fallen to that level from 60 basis points some 18 months ago, says Mr Guy Moskowitz, an analyst at Sanford C. Bernstein.

The Wall Street houses may never have it so good again. Commercial banks, with little in the way of loan growth to look forward to, have been eyeing the corporate bond market for some time.

The five that had already won dispensation from the Federal Reserve to underwrite and trade bonds - J.P. Morgan, Bankers Trust, Citicorp, Chase Manhattan and Chemical - were joined last week by a sixth, NationsBank.

The ambitious North Carolina-based "super-regional" made its intentions clear earlier this year when it hired Mr John Griff, formerly head of syndicate for Lehman Brothers, to set up and run its bond department.

Its natural customers are not the large corporations which have the easiest access to the public debt markets. "We hope to open up to the market to medium-sized companies," NationsBank said.

The arrival of the commercial banks makes it likely that, come the next underwriting boom, Wall Street will not have things all its own way.

Richard Waters

RISK AND REWARD

Franco-German futures link raises fears of exclusivity



Last week's announcement of the terms of the planned linkage between Germany's Deutsche Terminbörse and France's Matif did little more than fill in the details sketched out in the memorandum of understanding signed by the two futures exchanges last December.

However, the move has broader implications, both for the exchanges themselves and for the futures industry as a whole.

The announcement silenced persistent rumours that the exchanges had run into substantial difficulties in fleshing out the terms of their memorandum. Futures market participants tend to be sceptical about talk of alliances between exchanges, and not without reason, since most previous attempts have failed.

The DTB/Matif effort, however, not only seems to have a brighter future than most, but also has an unusually broad scope. Both exchanges reject the use of the word "merger", and insist that each exchange will remain independent. The agreement "is an evolutionary process", according to a DTB official.

However, the possibility that both will one day allow each other's members to have access to all products suggests the creation of a self-contained unit for trading French and German products, which could pose a serious competitive threat to other exchanges. But both exchanges say they may admit other exchanges.

In addition to the first phase of the link - DTB screens will be available in France for trading selected products and Matif members will be able to trade DTB products via DTB clearing members by mid-1994 - which was already broadly known, the details of the second phase have also now been thrashed out.

The Matif has agreed to pay on an undisclosed sum for the DTB's software, and two Matif products will be listed on the system and will cease to be traded on open outcry by the end of 1995. The Matif's key product, the 10-year French government bond contract, will continue to be traded in the pit, so the

change will also prove an important test for screen-trading.

Mr Roger Barton, head of business development at the London International Financial Futures & Options Exchange (Liffe) said the fact that two Matif products would cease to be traded on the exchange floor could "present a business opportunity" for Liffe to trade the products on its floor instead. It remains to be seen which users would prefer, although many still say they favour pit-trading.

What is certain is that the Matif/DTB link will do nothing to ease the tensions which have sprung up in the increasingly competitive derivatives market. In the past decade, 18 derivatives exchanges have started up in Europe, winning market share from the once all-powerful US exchanges.

However, many observers believe that, despite the explosion of derivatives activity, expected to continue for several years as more over-the-counter business underpins futures trading, a mature market will not be large enough to support this number of exchanges. In particular, if some sort of European monetary union ever goes ahead, the current number of 88 different futures and options contracts traded on Europe's exchanges, excluding options on individual shares, will shrink dramatically.

The new focus on forging links with other exchanges to ensure survival may have a knock-on effect on the prospects for Globex, the after-hours futures trading system developed by the Chicago Board of Trade, the Chicago Mercantile Exchange and Reuters. The arrival of Europe's futures exchanges for joining the system appears to have dimmed since the launch of Globex just over a year ago.

Mr Gary Ginter has resigned his position as managing director of Globex.

Mr Ginter was responsible for developing a business plan focusing on marketing CME and CBOE products listed on Globex outside the US. He has left Globex to take a position as president of the board of directors and director of strategic planning for Oster Communications, the Iowa-based derivatives information group.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Essex Cement, India	65	Aug. 1998	8.5	100	-	-	Merrill Lynch Intl.
Mazda Corp. (Japan)	180	Aug. 1997	1.375	100	-	-	Nikko Europe
Columbus Discovery	27	Jul. 1996	(0)	100R	-	-	Salomon Brothers Intl.
Gota Bank	100	Sep. 2001	(0)	100	-	-	Chemical Investment Bank
CSFB Finance (Netherlands)	50	Aug. 2003	(0)	99.875R	-	-	ICSB
Shogbank	100	Aug. 1996	(0)	99.7R	-	-	Goldman Sachs Intl.
Sunstate	50	Feb. 1996	10R	100R	10.000	+570 (nt)	Paribas Capital Markets
Goldman Sachs Group	100	Aug. 2003	(0)	99.825R	-	-	Goldman Sachs Intl.
STERLING							
Kingdom of Sweden	250	Dec. 1998	7	99.2R	7.188	+36 (7 1/4%-98)	UBS/SG Warburg Secs.
Hewlett-Packard Finance Co.	100	Dec. 1998	7.125	98.01R	7.132	+30 (7 1/4%-98)	Goldman Sachs Intl.
Costa Vytal	75.655	Aug. 2003	6.25	100	-	-	Merrill Lynch Intl.
Anglian Water	65	Aug. 1996	6.5	111.5	-	-	J. Henry Schroder Wagg
Greenfield Group	109.993	Sep. 2003	7R	(0)	-	-	J. Henry Schroder Wagg
SBG (Germany)	259.25	(0)	zero	-	-	-	UBS
Winn Investment Co.	35.25	Sep. 2008	8.25R	100	-	-	Baring Brothers & Co.
Winn International, Netherlands	150	Aug. 2003	7.75	98.85R	8.223	+72 (8 1/4%-03)	SG Warburg Securities
YEN							
Tokai Corp.	20bn	Nov. 1997	4.05	99.35R	-	-	Yamaichi Intl. (Europe)
Tokai Corp.	100n	Nov. 1998	4.8	100.075R	4.778	-	Nikko Europe
Tokai Land Corp.	300n	Aug. 1997	4.8	100R	-	-	Yamaichi Intl. (Europe)
GTIC	300n	Mar. 1996	4.125	99.57R	4.151	-	Nikko Europe
Mitsubishi Corp. Finance	200n	Dec. 1998	4	100.5R	3.838	-	Merrill Lynch Intl.
Mazda Motor Corp.	200n	Aug. 2000	5.1	99.825R	-	-	Nomura International
NSK	200n	Aug. 1997	4.05	99.9R	-	-	Nomura International
Mitsui & Co.	100n	Nov. 2000	4.9	100.2R	-	-	Fuji Intl. Finance
Mazda Motor Corp.	100n	May 2000	(0)	100R	-	-	Sanitono Finance Intl.
Mitsui & Co. USA	50n	Nov. 1996	3.9	100.35R	3.788	-	Mitsubishi Finance Intl.

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
CANADIAN DOLLARS							
Sudwest LB London Cap.Mkts.	200	Aug. 1997	6.5	98.75R	6.573	+26 (nt)	Lehman Brothers Intl.
ITALIAN LIRA							
Abbey National Treas.Serv.	150bn	Aug. 2000	10	101.875	9.820	-	J.P. Morgan
AUSTRALIAN DOLLARS							
State Bank of South Australia	100	Sep. 1998	6.75	100.75	6.589	-	Hambros Bank
DANISH KRONER							
Mortgage Bank of Denmark	750	Sep. 1998	6.75	99.67R	6.830	-	Morgan Stanley Intl.
Finance for Danish Ind.	200	Aug. 1998	7	102.03	6.539	-	Morgan Stanley Intl.
Great Bell	500	Sep. 2003	7	100.425R	6.940	-	Morgan Stanley Intl.
SWISS FRANC							
Caixa Bank	80	Aug. 1997	1.125	100	-	-	Bank von Smet & Co.
Caixa Bank	200	Aug. 1997	1	100	-	-	Credit Suisse
De Nationale Investeringsbank	100	Aug. 1998	4.375	102	3.987	-	Banca del Gottardo
LUXEMBOURG FRANC							
12B, Verne	1bn	Sep. 2003	7.5	102.5	7.142	-	Credit Europien

Notes and non-callable unless stated. The yield spread over relevant government bonds at launch is supplied by the lead manager, off-invoice discount. 3-Monthly, 6-monthly, 9-monthly, 12-monthly, 15-monthly, 18-monthly, 21-monthly, 24-monthly, 27-monthly, 30-monthly, 33-monthly, 36-monthly, 39-monthly, 42-monthly, 45-monthly, 48-monthly, 51-monthly, 54-monthly, 57-monthly, 60-monthly, 63-monthly, 66-monthly, 69-monthly, 72-monthly, 75-monthly, 78-monthly, 81-monthly, 84-monthly, 87-monthly, 90-monthly, 93-monthly, 96-monthly, 99-monthly, 102-monthly, 105-monthly, 108-monthly, 111-monthly, 114-monthly, 117-monthly, 120-monthly, 123-monthly, 126-monthly, 129-monthly, 132-monthly, 135-monthly, 138-monthly, 141-monthly, 144-monthly, 147-monthly, 150-monthly, 153-monthly, 156-monthly, 159-monthly, 162-monthly, 165-monthly, 168-monthly, 171-monthly, 174-monthly, 177-monthly, 180-monthly, 183-monthly, 186-monthly, 189-monthly, 192-monthly, 195-monthly, 198-monthly, 201-monthly, 204-monthly, 207-monthly, 210-monthly, 213-monthly, 216-monthly, 219-monthly, 222-monthly, 225-monthly, 228-monthly, 231-monthly, 234-monthly, 237-monthly, 240-monthly, 243-monthly, 246-monthly, 249-monthly, 252-monthly, 255-monthly, 258-monthly, 261-monthly, 264-monthly, 267-monthly, 270-monthly, 273-monthly, 276-monthly, 279-monthly, 282-monthly, 285-monthly, 288-monthly, 291-monthly, 294-monthly, 297-monthly, 300-monthly, 303-monthly, 306-monthly, 309-monthly, 312-monthly, 315-monthly, 318-monthly, 321-monthly, 324-monthly, 327-monthly, 330-monthly, 333-monthly, 336-monthly, 339-monthly, 342-monthly, 345-monthly, 348-monthly, 351-monthly, 354-monthly, 357-monthly, 360-monthly, 363-monthly, 366-monthly, 369-monthly, 372-monthly, 375-monthly, 378-monthly, 381-monthly, 384-monthly, 387-monthly, 390-monthly, 393-monthly, 396-monthly, 399-monthly, 402-monthly, 405-monthly, 408-monthly, 411-monthly, 414-monthly, 417-monthly, 420-monthly, 423-monthly, 426-monthly, 429-monthly, 432-monthly, 435-monthly, 438-monthly, 441-monthly, 444-monthly, 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LEHMAN BROTHERS

Est. 1850

The Tradition Continues...

August 2, 1993

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Treasuries soar on poor GDP data

MR Alan Greenspan, chairman of the Federal Reserve and a central banker who places a lot of faith in close analysis of economic statistics and forecasting, was left with egg on his face last week. To the delight of Treasury investors, the second-quarter gross domestic product report came in well below market forecasts.

News of the 1.6 per cent growth in second-quarter GDP sent bond prices soaring, and the yield on the benchmark 30-year issue back down to near 6.5 per cent, its all-time low. Analysts had been expecting growth of around 2.2 per cent, while Mr Greenspan, who should know about these things, told Congress just over a week ago that GDP would advance by nearer 2.5 per cent in the April-to-June period.

Those comments, plus some heavy-handed remarks about inflation and the possibility the Fed will have to put up interest rates to stem rising prices, had been taken to heart by the bond market, which was confronted with the unwelcome prospect of rising economic growth, rising inflation

and rising interest rates. After the decline of that week, this latest bond market rally came as a pleasant surprise, not least for equity market investors, who several days ago were fearful interest rates may have bottomed.

A variety of explanations have been offered as to why Wall Street's best economists, the Fed chairman, and everyone else for that matter, got the GDP numbers wrong. The most convincing of these concerns inventories.

During the first quarter, when growth was extremely weak, companies piled up their inventories in the absence of strong consumer demand. When demand revived in the second quarter (consumer spending rose a healthy 3.9 per cent between April and June), rather than boost production, manufacturers ran down their stockpiles of goods. Clearly, analysts missed the inventory situation, which is why their forecasts were so awry.

If the slowdown of inventory accumulation adequately explains the surprisingly poor rate of growth in the second

quarter, then by the same theory, the pace of economic activity in the next three to six months should pick up handily as manufacturers step up production to keep demand satisfied.

This prospect, however, does not seem to worry Treasury investors, who concentrated on the headline GDP number. Combined with the even weaker first-quarter figures, the economy grew at a meagre 1.2 per cent rate in the first half of 1993, a sharp slowdown from the 4.1 per cent growth rate achieved in the final six months of 1992.

And, as Donaldson, Lufkin & Jenrette points out in its latest credit market circular: "It is even more disappointing and somewhat worrisome that the growth rate in the first half of 1993 was a full percentage point lower than the growth rate of the economy during the first half of 1992."

The first half of 1992 came not long after the economy had pulled out of recession, so everyone expected growth to be weak back then. That the latest growth rates cannot

match the performance of a year ago suggests the economy is in a poorer state than many imagine. All of this is good news for bonds.

The Treasury market is receiving an additional boost from overseas, namely the turmoil in the currency markets. As the European Monetary System, teetered close to collapse, international investors fled volatile European currencies for dollar assets such as government securities.

There was, however, at least one factor against US bond prices last week - the Bundesbank's decision not to lower the all-important German discount rate.

If the Bundesbank had cut the discount rate, even more money would have flowed into Treasuries. As it is, the bond market is doing well enough on its own, and forecasters are now looking forward to a 30-year yield below 6.5 per cent some time in the near future.

Patrick Harverson

AUSTRALIAN GOVERNMENT BONDS

Focus on calm away from ERM storm

FAR away from the trials and tribulations of Europe's exchange rate mechanism, the Australian government bond market has been rallying, helped by expectations of monetary easing and a new-found status as a safe haven from Europe's currency storms.

However, with the half-point cut in Australian interest rates on Friday, many investors may wonder whether there is further to go in the bond market rally, or whether it is best to take profits and switch their money elsewhere.

Mr Bernis Fraser, governor of the Reserve Bank of Australia, said Friday's reduction in overnight interest rates from 5.25 per cent to 4.75 per cent was "in response to evidence of continuing slow growth and low inflation".

The interest rate cut marks the 15th time the Reserve Bank of Australia has eased rates since they peaked at 16 per cent in January 1990, and is the second reduction since the

prime minister Mr Paul Keating won the March general election. The lower cash rate should be passed on to borrowers in the corporate and household sectors.

The government bond market, which had been expecting an easing in interest rates for some time, rallied on last Friday's news, although profit-taking held the day's gains in check and the market closed a little higher on the day.

The yield on the 10-year benchmark government bond reached 6.9 per cent, a 20-year low. The yield on 10-year bonds has fallen during 1993, from a January high of 9.12 per cent. The currency held up well, with the Australian dollar firming to a high of US\$0.8845 before moving back to US\$0.8835.

That the interest rate cut was widely expected was due mainly to the economic data released last week. The consumer price index rose 0.4 per

cent in the June quarter, giving an annual rate of 1.9 per cent. Economists say that, given the weak state of the economy, there is little risk of a surge in inflationary pressures in the next year.

Mr Fraser said inflation remained under control, with the underlying rate at between 2 per cent and 3 per cent. However, with economic recovery

apparently proceeding at a modest pace, he warned that "faster growth of private-sector activity was necessary to generate more jobs and reduce unemployment", currently more than 10 per cent.

"In the board's judgment, the combination of a sluggish rate of recovery, relatively high real interest rates, and low inflation warrant a further modest fall in cash rates," Mr Fraser said.

However, some economists are recommending that investors take profits at the long end of the market now, pointing out that last week's interest rate cut could be the last for some time.

"I don't see a unilateral fall in rates at these levels - long yields should now consolidate at around 6.75 per cent, 7.25 per cent, and if we see US rates trending up, that would probably influence Australian rates," warned one analyst.

Sara Webb

UK GILTS

Turmoil brings good times

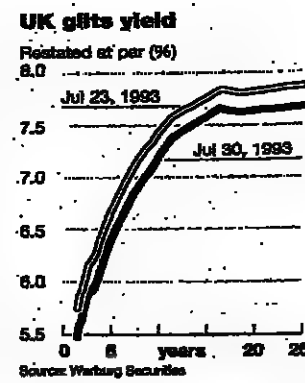
THE fabric of European monetary union is in disarray and the ruling Conservative party has suffered a crushing regional defeat. Meanwhile, the UK government bond market, which thrives on economic and political stability, starts the week at a new high.

On Friday, gilt prices at the ultra-long end of the yield curve hit levels unseen for more than 20 years. Rising prices mean falling yields, which mirror the market's perception of where inflation is heading. At the end of the week, 8 per cent Treasury stock maturing 2017 - the longest-dated and thus most risky issue to hold - was yielding only 7.825 per cent.

However, gains were seen at all points of the curve. The 7.25 per cent issue maturing in March 1998 rose $\frac{1}{8}$ to 10.2 $\frac{1}{2}$, while the 8 per cent stock due June 2003 jumped by well over a percentage point to 10.4 $\frac{1}{2}$.

The first surprise came in the middle-maturity range, when the Bank of England auctioned \pounds 2.55bn of eight-year stock. The size of the issue matched the previous record a month ago, when the Bank targeted overseas investors and attracted a poor response.

Last Wednesday's auction appeared to be aimed at nobody in particular - the maturity was too long to interest banks and building societies, but too short for the pension funds. It was also payable in three tranches which, for tax reasons, was expected to



Source: Walling Securities

Attract the overseas investor.

But demand was so fierce there was no fall - the difference between the average accepted bid and the lowest accepted bid. True, it was attractively-priced, and the market had positioned itself well, but one economist said the lesson to the Bank of England had to be: "If you can sell this maturity at this time you can sell anything."

Then, on Thursday and Friday, the European exchange rate mechanism stood on the edge of an abyss as the French franc plummeted through its official ERM floor of FF4.306 against the D-Mark. The Danish krone, Spanish peseta and Belgian franc were tumbling. Overseas investors, who had been piling into the gilts market, redoubled their enthusiasm.

Yields on short-dated maturities, which indicate the mar-

ket's expectation of interest rate cuts, fell sharply. Investors were convinced that if the ERM fell it would enable member countries to cut rates in order to relieve the pressures on their economies and ease growing unemployment. The UK would then need to cut base rates to maintain its competitive advantage.

Finally, long-dated stock called comfortably though the rocks of the Christchurch by-election, where the Tory party lost a safe seat with a 35 per cent swing against it. Overseas investors, who have been the mainstay of the recent rally, considered the defeat a partial mid-term matter.

As far as the international investment community is concerned, there is still enough evidence that the inflationary pressure which makes long maturities tremble is a long way away.

By Friday afternoon, the Bank of England was so optimistic that it announced a \pounds 3.3bn issue of stock ranging right along the yield curve. It announced \pounds 500m of 7 $\frac{1}{2}$ per cent five-year stock, \pounds 500m of 8 per cent stock maturing in 2013, and \pounds 300m of 2 $\frac{1}{2}$ per cent index-linked stock repayable in 2020.

However, the outcome of yesterday's emergency meeting in Brussels on Europe's buckled currency ladder is bound to reverberate through the UK bond market.

Peter John

Banco Essi opens fund for foreign investment

By Peter Wise in Lisbon

BANCO Essi, part of Espirito Santo, one of Portugal's leading private financial groups, is launching a \pounds 100m capital development fund in association with Mr George Soros, the international investor, to invest in Portugal. It will be five times bigger than any other of its kind in Portugal.

The lead investor will be Soros Capital II, which will commit about \pounds 85m to the fund. "Over the years Espirito Santo has developed strategic relations with new partners," said Mr Michael de Mello, of the fund's consultant team. "That is how we have built ourselves up after being nationalised in 1975."

Banco Essi will commit \pounds 1m to the fund. Other backers will be insurance companies, pension funds and other institutional investors.

The closed-end fund will have two closing dates: one on August 4 at around \pounds 80m, and a second in November at \pounds 100m. The fund will typically invest in businesses over which it establishes control or a significant degree of influence. There will be no hostile investments and the fund will not invest in the financial or real estate sectors.

FT CONFERENCES

WORLD MOTOR

Frankfurt, 8 & 9 September

Timed to coincide with the Frankfurt Motor Show, this biennial meeting will focus on the challenges and opportunities facing motor manufacturers and examine how the automotive industry is responding to the current economic climate. Speakers include: Robert Eaton, Chrysler Corporation; Tadashi Shiraishi, Nissan Europe NV; Professor Dr Ulrich Seifert, Volkswagen AG and JT Battenberg Ltd, General Motors Corporation.

FINANCIAL REPORTING IN THE UK

London, 27 September

This will be the third meeting the Financial Times has arranged on the ASB's proposals for changing accounting standards in the UK. The intention is to review the changes proposed in recent weeks and their impact on reported company profits and balance sheets from the point of view of all the interested parties. Keynote addresses will be given by Sir Bryan Carsberg, Member of the Accounting Standards Board and Edwin Glasgow QC, Chairman of the Financial Reporting Review Panel.

WORLD MOBILE COMMUNICATIONS

London, 28 & 29 September

The Financial Times annual conference brings together leading figures from the world of mobile communications to examine the key issues facing services providers, manufacturers, users and investors. Mobile communications growth and technologies will be reviewed as well as the challenge of developing a mass market personal communications system. Speakers include: George Schmitt of Mannesmann Mobilfunk, Dennis Leibowitz of Donaldson Lufkin & Jenrette, Seth Myrby of Swedish Telecom Radio, John DeFoe of US West New Vector Group, Wolf-Achim Seidel of the German Ministry of Posts and Telecommunications and Bruno Lasserre of the French Ministry of Industry, Posts, Telecommunications & Exterior Commerce.

FT-CITY COURSE

London, 4 October - 22 November

The Course, arranged with the City University Business School, is held on one afternoon a week for eight weeks. It will give those working in the City or servicing the financial sector a broad understanding of how the major financial institutions in the City of London operate.

RETAILING - NEW OPPORTUNITIES, NEW CHALLENGES

London, 12 & 13 October

This topical conference will discuss international growth opportunities and new routes to market; look at ways of improving performance and profitability; and consider the importance of the customer. Speakers include: Sir Geoffrey Mulcahy, Kingfisher; Arthur Martinez, Sears Roebuck and Company; Thomas Vadoboncoeur, Coca-Cola International and Dennis Eck, The Vons Companies.

INTERNATIONAL PACKAGING AND THE ENVIRONMENT

London, 18 & 19 October

This conference will look at legislation and the opportunities and problems facing the packaging industry and its customers. Co-operation in the packaging chain, recycling versus incineration, and opportunities for new uses of resources will be examined. Speakers include: The Rt Hon John Gummer MP, Secretary of State for the Environment; Clemens Strotmann from the German Federal Ministry for the Environment; Yannis Paleokrassas of the EEC; Thierry Marraud of St Gobain Group and Walter Brilmann of Coca-Cola International.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-614 9770 (24-hr answering service) Telex: 27347 FTCONF G. Fax: 071-873 3975/3968.

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DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

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STRAIGHT BONDS: Yield to redemption of the 90-day price. Amount issued is expressed in millions of currency units. FLOATING RATE NOTES: Yield to redemption of the 90-day price. Amount issued is expressed in millions of currency units. WARRANTS: Yield to redemption of the 90-day price. Amount issued is expressed in millions of currency units. WARRANTS: Yield to redemption of the 90-day price. Amount issued is expressed in millions of currency units.

THE WEEK AHEAD

ECONOMICS

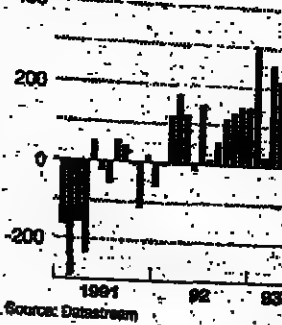
Depressed indicators from Germany bring more bad publicity for Europe

THE important German employment and output figures due out this week will be viewed in a subdued light after the weekend's developments in the ERM.

West German unemployment is forecast to rise by 30,000, a little more than the previous month's 29,000. The outlook for employment is similarly bleak. It is expected to fall by a further 38,000, following the June fall of 35,000.

US employment

Chrysler labour force changes
non agricultural payrolls ('000)



Source: Datastream

German industrial production and manufacturing output are both expected to have been flat in June, after rises of 1.2 per cent and 1.5 per cent respectively over the previous month. Manufacturing orders, predicted to fall 1 per cent, would have deteriorated even further from the May figure, which rose 3.8 per cent.

Overall, another dose of depressed figures from the German economy will only add to the theorising about the future for European exchange rates, which has followed in the wake of the Bundesbank's decision not to cut the discount rate at last week's council meeting.

It is a busy week for figures in the US. Observers will be especially watching the July figure for non-farm payrolls

turing payroll figures, for example, to be a reliable guide to the level of overall economic activity.

The following are some of the week's other economic highlights and events. The figures in brackets are the median of economists' forecasts from MMS International, a financial information company.

Today: US, July NAPM (48.5 per cent); June construction spending (up 0.5 per cent). Japan, July car sales: first 20 days of the July trade balance; July trade balance. Korea, July trade balance. Australia, New South Wales Bank Holiday.

Tomorrow: UK, July M0 (up 1 per cent on month, up 4.3 per cent on year), official reserves (up \$100m). France, Franco-German meeting in Paris, rescheduled from June 25. Germany, German Bond Consortium meets in Frankfurt to set the terms of a new federal bond issue. US, June leading indicators (up 0.8 per cent). Johnson Redbook week ended July 31. Australia, Reserve Bank of Australia monthly board meeting.

Wednesday: US, Fed releases Tan Book for August 17 FOMC meeting; June home completions; car sales July 21-31 (7.0m units); truck sales for July 21-31. Canada, July foreign reserves (up \$300m).

Thursday: Spain, July official reserves (\$44.5bn). US, initial claims week ended July 31, state benefits week ended July 31, June factory goods orders (up 3.1 per cent), June factory inventories, money supply data for week ended July 26.

Friday: Germany (west), July unemployment (up 30,000); June employment (down 38,000); July vacancies (down 2,000). Germany (east), July unemployment (up 150,000); July manufacturing payrolls (down 10,000); July hourly earnings (up 0.2 per cent); July unemployment rate (7.0 per cent); June wholesale trade; June consumer credit (up \$2.0bn). Canada, June employment (unchanged); June employment rate (11.3 per cent).

During the week: Germany, June industrial production (0.0 per cent); June manufacturing output (0.0 per cent); June manufacturing orders (down 1.0 per cent). Italy, July consumer price index (4.4 per cent). Switzerland, July federal consumer price index.

Stephanie Flanders

UK COMPANIES

TODAY
COMPANY MEETINGS:
ACT, Hyatt Regency Hotel, 2, Bridge Street, Birmingham, 10.00
Cupid, Metcalf Drive, Altham, Accrington, Lancs., 10.30
BOARD MEETINGS:
Ashted Interims
Abbey National
Skipton Bldg. Scty.

TOMORROW
COMPANY MEETINGS:
Charter Cons., Royal Westminster Hotel, 49, Buckingham Palace Road, S.W. 12.00, 12.30
Feedback, Winston Manor Hotel, Beacon Road, Crowborough, East Sussex, 12.00
Safeland, Safeland House, Park Road, East Finchley, N. 3.30
Seaboard, The Hawth Theatre, Crawley, West Sussex, 11.00
Vibroplant, Most House Int. Hotel, Harrogate, 1.00
BOARD MEETINGS:
Finale:
Beales Hunter
McKay Securities
Prior
Williamson Tea Interims:
Chieftain
Glynwed Int.
Malvern UK Index Tst.
Midland Bank

THURSDAY
AUGUST 5
COMPANY MEETINGS:
BTP, Cafe Royal, 68, Regent Street, W., 12.00
Beverley Grp., Hyde Park Hotel, 66, Knightsbridge, S.W., 11.00
Bradford Property Tst., Victoria Hotel, Bridge Street, Bradford, W. Yorks., 12.00
Cropper (James), Burnside Mills, Kendal, Cumbria, 10.30
Eastern Electricity, Cambridge Corn Exchange, 3, Parsons Court, Wheeler Street, Cambridge, 11.00
GEI Int., Savoy Hotel, Strand, W.C., 12.00
Northern Electric, Northumbria Centre, Washington, Tyne & Wear, 11.00
Ramsco Oil Services, Kings College Conference Centre, Regent Walk, Aberdeen, 12.00
Shelton (Martin), Parkway Hotel, Otley Road, Leeds, 12.00
Sims Food, Sims House, Sims Food Park, Sherbourne Drive, Milton Keynes, 2.30
South Western Electricity, Plymouth Pavilions, Plymouth, 11.00
BOARD MEETINGS:
Finale:

Finale:

NatWest Bank
Pacer Systems
TR Pacific Inv. Tst.
Ultd. Breweries
Yorkshire Chemicals

WEDNESDAY
AUGUST 4
COMPANY MEETINGS:
Ball (A.H.), 50, Stratton Street, W., 10.00
Halma, Savoy Hotel, Strand, W.C., 12.00
Northern Foods, Grange Park Hotel, Wiltshire, Hull, 12.30
Racal Electronics, Institution of Electrical Engineers, Savoy Place, W.C., 11.45
TR Technology, 3, Finsbury Avenue, E.C., 12.30
United Inds., Barkby Road, Leicester, 10.30
BOARD MEETINGS:
Finale:
Beales Hunter
McKay Securities
Prior
Williamson Tea Interims:
Chieftain
Glynwed Int.
Malvern UK Index Tst.
Midland Bank

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Sims Food, Sims House, Sims Food Park, Sherbourne Drive, Milton Keynes, 2.30
South Western Electricity, Plymouth Pavilions, Plymouth, 11.00
BOARD MEETINGS:
Finale:

Finale:

Crown Eyeglass
Interims:
Anglo & Overseas Tst.
Barclays Bank
British Alcan Aluminium
Covle (T)
Jacobs (John I)
Kleinwort Benson
Read Int.
Rotork
TJ Group
Transport Dev.

FRIDAY
AUGUST 6
COMPANY MEETINGS:
Chubb Security, Institution of Electrical Engineers, Savoy Place, W.C., 11.45
BOARD MEETINGS:
Finale:
Wholesale Fittings
Interims:
Inv. Tst. of Guernsey
Newmarket Venture Capital
Port Harp.

FRIDAY
AUGUST 6
COMPANY MEETINGS:
Chubb Security, Institution of Electrical Engineers, Savoy Place, W.C., 11.45
BOARD MEETINGS:
Finale:
Wholesale Fittings
Interims:
Inv. Tst. of Guernsey
Newmarket Venture Capital
Port Harp.

Finale:

DIVIDEND & INTEREST PAYMENTS

TODAY
Aberdeen Corp. Gas Anns. 12.5p
Abstrut Pl. Inc. Inv. 2.90825p
Acal 4.2p
Am. T & S 0.33
Amertech 0.92
Amersham Int. 9.5p
AMP 11.5% Bd. 2001 £115.0
Atwood 1.75p
BOC Grp. 11.6p
Bell Atlantic 0.67
BellSouth 0.68
Campbell Soup 0.25
Computer Prod. O'see Fin. 7% Cv. Bb. Bd. 1989 \$35.0
Courtauld 10.2p
Dunedin Inc. Grwth. Inv. Tst. 3.1% Pf. £1.75
EFM Inc. Tst. 1.275p
Fleming Merc. Inv. Tst. 1.675p
Granada Cv. Pf. 3.75p
HSBC 11.68% Bd. 2002 11.68p
Harris (Philip) 4.65p
Kobe (City) 9.1% Gtd. 2000 \$482.50
Lloyds 3.75p
Lynx Hldgs. 0.3p
Mitsubishi Petro. 4.4% Bd. 2000 Y131844.0

Monks Inv. Tst. 4.7p
Shanks & McEwan 3.44p
Tiger Gate 5.5% Cm. Pf. R0.055
Treasury 8.4% 1994 £4.25

WEDNESDAY
AUGUST 4
Borthwick 0.7p
Bntsh Syphon Inds. 62.35p
GSR A50.12
Deelkraal Gold Mining R0.05
Driefontein Cons. R0.30
Gold Fields Coal R0.40
Harvey Oil & Gas 1p
Kloof Gold Mining R0.65
LPA Inds. 1.65p
Marubeni 4.8% Nts. '97 Y120111.0
Scapa 4.03p

THURSDAY
AUGUST 5
Archimedes Inv. Tst. 9p
Bradford Property Tst. 3p
Control Techniques 2.35p
Cosmos Sec. FRN Y1167945.0
Hafslund Bldg. Scty. 8.4% Ln. Nts. \$5.85.25
Hickling Pentecost 2.85p
North West Water 14.27p
Refresh Tranche A Perp. Sc.

FRIDAY
AUGUST 6
Caldwell Inv. 0.3875p
Cape 7.75p
Chloride Grp. 8% Cm. Pf. 2.1p
Cleveland Pl. 7.3% Rd. Db. 88/93 £2.717808
Heavtree Brewery 0.6p
Do. A Lim/Vtg. 0.6p
Kleinwort Charter Inv. 1.25p
Pall Corp. 50.08
Powell Duffryn 16p
Randfontein Estates R1.10
River & Merc. Am. Cap. & Inc. 1.8p
RTZ 13.5p
Securguard Grp. 4.5p
Southnews 1.4p
Treasury 8% 2012 £4.50
Wah Kwong Shipping HK\$0.39
Watson & Philip 4.4p
Western Areas Gold Mining R0.25
Whitbread 7.1% Rd. Db. 88/94 £3.875

SATURDAY
AUGUST 7
British Petroleum 2.1p

Nat. Home Loans Sec. FRN 1985 £2.11
Pacific Televis 0.545
Pacemore & Sunderland News. 6.62p
Quality Care Homes 1.5p
Southwestern Bell 0.3775
Thorn EMI Cap. 5.4% Gtd. Rd. Cv. Pf. 0.4143.75
Tung Ho Steel 4% Bd. 2001 \$400.0
US West \$0.535

TOMORROW
Anglo Am. Corp. of SA R2.55
BAA 8.75p
Brit. Gas Int. Fin. 12% Gtd. '98 L800000.0
Cambridge Water £1.15
Clyde Blowers 4p
Cons. Bultfontein Mine R0.0425
Cranwick 5.6p
Davenport Vernon 1.5p
De Beers 40% Cm. Pf. R1.0
De Beers 8% Cm. 2nd Pf. R0.04
Electronic Data Processing 2p
Gen. Motors Acceptance Can. 13% Nts. Aug. '94 L850000.0
Griqualand West R0.205

WEDNESDAY
AUGUST 4
Borthwick 0.7p
Bntsh Syphon Inds. 62.35p
GSR A50.12
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Driefontein Cons. R0.30
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Western Areas Gold Mining R0.25
Whitbread 7.1% Rd. Db. 88/94 £3.875

SATURDAY
AUGUST 7
British Petroleum 2.1p

FRN Y1144110.0
Do. Tranche B Y1167945.0

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SATURDAY
AUGUST 7
British Petroleum 2.1p

British Petroleum 2.1p

RESULTS DUE

BOTH Royal Dutch/Shell and British Petroleum report their second quarter results on Thursday. Shell is expected to show a healthy rise in current cost net income from \$258m to about \$270m.

Results will have benefited from a weaker pound, stronger natural gas prices in the US, cost-cutting and solid performance from non-OSCD countries. The biggest question now hangs over the dividend payment, which will not be announced until September 18.

This time last year, BP announced a dividend cut and \$835m of post-tax exceptional restructuring provisions. For the latest quarter, analysts are looking for replacement cost net income of \$240m with a dividend of 2.1p.

Abbey National is expected to show pre-tax profits of around \$15m after bad debt provisions of some \$16m when it reports its interim results today. It is expected to be hit by provisions on French operations, but show strong mortgage lending in the first half.

Tomorrow National Westminster is expected to show profits in the range of \$28m-\$35m with a strong performance anticipated from treasury and capital markets. The bank is likely to cover its interim dividend for the first time since 1990.

Midland whose parent bank HSBC Holdings reports on August 31, is expected to contribute pre-tax profits of around \$20m on Wednesday, while Barclays on Thursday is expected to show recovery from losses last year to pre-tax profit of between \$12m and \$17m.

The interims from Reed Elsevier, the international publishing and information group on Thursday are the first combined results since the merger of Reed International and the Dutch publishers Elsevier took effect at the beginning of the year. That and a change of year end appears to have made City analysts wary of issuing firm forecasts but James Capel is looking for combined pre-tax profits of \$267m compared with \$247m last year.

GEN's interim results, to be announced on Wednesday, are expected to reflect at least partly the very tough times

now being experienced in the Continental motor industry, where vehicle markets have plunged by up to one third this year. But analysts don't expect too sharp a fall-off from last year's \$66.1m pre-tax, thanks to a continuing effective onslaught on costs, still buoyant UK production and increasing market share for key products like constant velocity joints.

The following day TI, the specialist engineering group, is expected to report interim profits of a little more than \$8m. The market will be concentrating on the recently announced Dowty aerospace division's new venture with Messier-Bugatti of France and Dowty's overall performance in a difficult market.

CONFERENCES & EXHIBITIONS

RENEWABLE ENERGY

A Seminar for Prospective Generators

25 August 1993 9.30am-3.30pm
Balmoral Conference Centre
Kings Hall
Belfast

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MRS BERYL MCMAHUS
ENERGY EFFICIENCY SERVICE, DEPARTMENT OF ECONOMIC DEVELOPMENT
NETHERLEIGH, MASSEY AVENUE, BELFAST BT4 2TP
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AUGUST 24-27

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EASTBOURNE

SEPTEMBER 5-8

Design Renaissance

A three day programme plus related seminars analysing the process and practice of design in additive strategies for growth. Leading designers and representatives of industry from throughout the world will present forecasts, case studies and analysis. Contact: Design Renaissance Tel: +44 (0) 41 533 1930 Fax: +44 (0) 41 533 0511

GLASGOW

SEPTEMBER 14-16

European Printer, Copier and Colour Conferences

London Metropolitan Hotel
Three Days of Conferences providing a vital opportunity for those involved in the marketing, design and support of printer, copier and colour equipment to discuss and shape the future of their industry. Enquiries: Brid O'Connor 0895 835050

LONDON

SEPTEMBER 15

The European Currency Crisis - One Year On

EFPA - European Board Commission announces an extremely topical conference on the eve of the anniversary of Black Wednesday. High level speakers from European central banks and market practitioners, including the Bundesbank and Banque de France. Contact: International Conference Group Tel: 081 743 8787 Fax: 081 740 1717

LONDON

SEPTEMBER 21

So You Want to Become a Consultant?

A one-day seminar geared towards setting up and marketing a consultancy operation and determining whether you have what it takes to be successful. Enquiries: Director Conferences Tel: 071 730 0022

LONDON

SEPTEMBER 27

Financial Reporting in the UK

The third FT meeting on the ASB's proposals for changing accounting standards in the UK. The conference will review the changes and their impact on reported company profits and balance sheets. Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3973/3969

LONDON

SEPTEMBER 29/30

World Mobile Communications

The conference will look at mobile communications growth and technology together with the challenge of developing a mass market personal communications system. Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3973/3969

LONDON

SEPTEMBER 29 & 30

Managing Business Regulation

A two-day conference for directors and senior managers, focussing on risks associated with various company compliance issues and how to manage them successfully. Chairman: The Rt. Hon. Lord Donaldson of Lynton, Chairman of the Financial Law Panel. Contact: Patricia Sheridan, One Conference Tel: 071 538 5386 Fax: 071 538 8253

LONDON

SEPT 29/30 & OCT 1

The Health of Nations 1993

Health of Nations: Demand, Cost & Efficiency on policy issues and impact on providers, suppliers and investors. James Watson, Rolf Krebs and Lady Cambridge address this international conference sponsored by The World Health Journal, European, medical, pharmaceutical, health care bodies, consultants and banks. Information: Clyfford Ltd Tel: 0225-466744 Fax: 0225-442903

EDINBURGH

OCTOBER 5

"Info China"

A one-day conference on the practical approach to consumer marketing in China. Organised by Inception Marketing in association with the China-Britain Trade Group and the Department of Transport and Industry. For all enquiries contact: Ian Bennett at World Conference Travel Tel: 071 799 1565 The May Fair Inter-Continental Stratton Street, London W1

LONDON

OCTOBER 5-6

The Freightconnection

Conference & Exhibition '93
A conference examining transport reforms and opportunities affecting road and rail freight movements in Europe. Covering combined transport, road charging, rail freight privatisation, channel tunnel developments. Speakers include Roger Freeman MP, Sir Alanis Morton, Gwynne Dunlop. Contact: Ian Dale, The Waterfront Partnership. Tel: 071 730 0430 Fax: 071 730 0460

MANCHESTER

OCTOBER 14

City of London Derivatives Conference

To be opened by Dr Henry Kaufman this City conference covers the markets, their regulation, maximising their benefits and controlling the risks. Central Banking and The Centre for the Study of Financial Innovation. Swiss Bank Corp, Arthur Andersen and Freshfields sponsor. Information: Marc Lee, Cityforum Ltd Tel: 0225-466744 Fax: 0225-442903

LONDON

NOVEMBER 22/23

The Fifth FT Petrochemicals Conference

The aim of this year's meeting is to provide a high-level forum to discuss the challenges currently facing the petrochemical industry and examine developments in key markets. Enquiries: Financial Times Tel: 071-814 9770 Fax: 071-873 3973/3969

LONDON

SEPTEMBER 15-18

VITRUM '93

South Pavilion, Milan, Italy. Machinery, equipment and installations for the manufacture of flat and blended glass, and glass products for industry. Reserved for trade only. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951

MILAN

SEPTEMBER 15-19

EURO 93

International exhibition of office furniture. Reserved for trade only. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951

MILAN

SEPTEMBER 15-19

EURO 93

International exhibition of office furniture. Reserved for trade only. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951

MILAN

SEPTEMBER 22-24

Intermedia Europe 1993

The third European Conference and Exhibition on Multimedia and CD-ROM, takes place in Wiesbaden, Germany. For more information, please contact Reed Exhibitions Companies, Düsseldorf Tel: +49-211-556281 Fax: +49-211-556231

WIESBADEN

SEPTEMBER 27-29

MODA IN 93

South Pavilion, Milan, Italy. International exhibition of textiles and accessories. Autumn/Winter '94/95 collections. Reserved for trade only. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951

MILAN

SEPTEMBER 30 - OCT 4

SMAU 93

International exhibition of information systems, telecommunications and office machinery and equipment. Reserved for trade only. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, tel 071 486 1951

MILAN

OCTOBER 13-15

Black Sea States Conference & Business Forum

Exploring new markets and business opportunities in the Black Sea States, Turkey & Central Asia. Individual meetings with ministers from twelve country delegations. TACIS-Legal and Contract Workshop. Contact: INTERFORUM Tel: +44 (0) 71 386 9322 Fax: +44 (0) 71 381 8914

ISTANBUL

OCTOBER 14-15

EUROAID '93 Conference

European Community Aid for Development
Aid Programme opportunities for EC companies (40 billion ECU by 1999) in: Africa, Caribbean, Pacific, Asia, Latin America, Mediterranean, Central & Eastern Europe and CIS. Contact: Societe Generale de Developpement S.A. Tel: +32 2 512 4636 Fax: +32 2 512 4653

BRUSSELS

OCTOBER 14-18

ISTS 93

International exhibition of broadcasting and telecommunications equipment. Reserved for trade only. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, Tel: 071 486 1951

MILAN

OCTOBER 15-18

64th MIPEL

International exhibition of leather goods. Spring/Summer 94 collections. Reserved for trade only. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, Tel: 071 486 1951

MILAN

OCTOBER 16-18

22nd INTERSAN

Technical and sanitary orthopaedics, sanitary articles, surgical implements, hospital equipment, physiotherapy-medical apparatus, cosmetics, sanitary articles for infants and aids for the disabled. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, Tel: 071 486 1951

MILAN

OCTOBER 18-24

53rd CICLO & MOTOCICLO

International exhibition of bicycles and motorcycles. Open to trade and the general public. For further information contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (39 2) 49971, Fax (39 2) 4997 7179 or, in the UK: OTSA Ltd, Tel: 071 486 1951

MILAN

LEGAL NOTICES

Company No. 2616701 Registered in England and Wales.
Involuntary Act 1986
Re: GERALD LIMITED
Passed 16 July 1993
As an extraordinary general meeting of the above named company duly convened and held at St Andrew's House, 20 St Andrew Street, London EC4A 3AY on 21 July 1993 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution: 1. That it has been resolved to the satisfaction of this meeting that the company be wound up voluntarily. 2. THAT 2 M. Addy and A. S. H. Robinson, of Oak Gully, Telford, Shropshire, be and they are hereby appointed liquidators of the company with authority to act separately in all matters.

Dated 16 July 1993
Chairman
At a meeting of creditors held on 16 July 1993 the creditors confirmed the appointment of 2 P. Addy and A. S. H. Robinson as joint liquidators.

Dated 16 July 1993
Chairman

TRAMFAX LIMITED

Address of registered office: 603-605 Cranbrook Road, Brent, Essex IG1 3TH. Name of Registrar: Balfour Beatty. Credit High. Number of members: 3997 at

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299	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820
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18	342	Harley Davidson Corp.	708	7140	1190	Midwest Warehouse	1,590	989	300	General Corp.	481	10,10	8,50	Amstar	2,02	14,40	8,30	Hoag Lacey Corp.	14,30
19	497	Harley Davidson Corp.	708	7140	1,393	Midwestern Betting	330	7,730	6,054	Sevens-Sevens	7,690	9,18	5,12	Fishon	10,70	12,80	6,60	Marquardt Building	12,40
20	552	Harley Davidson Corp.	708	7140	788	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
21	552	Harley Davidson Corp.	708	7140	484	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
22	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
23	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
24	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
25	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
26	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
27	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
28	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
29	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
30	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
31	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
32	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
33	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
34	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
35	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
36	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
37	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,06	2,40	Marquardt Ind. Inc.	3,54
38	12	Harley Davidson Corp.	708	7140	1,370	Midwest Co.	769	1,404	926	Sharp	1,396	4	2,95	Amstar	3,94	8,0			

250	560	Heaven Electric	5,190	480	331	Midco Oak Lane	448	1,500	1,250	Shinko	1,400	3,300	290	Bent's	3.00
300	580	Hawthorn (Barry)	775	927	371	Midco Pelham	775	1,370	1,050	Shookley	1,250	3,000	0.98	Wing Hing Copper	0.83
350	600	Hawthorn	983	927	371	Midco Pelham	775	658	431	Shoumen Jackson	582	17.04	12.24	Wynburne Inds	1.35
400	620	Hawthorn	983	1,448	315	Midco Tulsa	1,380	658	431	Shoumen Johnson	575	6.00	41.44	Yates Oil	12.10
450	640	Hawthorn	983	1,448	315	Midco Tulsa	1,380	515	234	Shoumen Johnson	575	0.23	0.27	Yates Oil	12.10
500	660	Hawthorn	983	1,448	315	Midco Tulsa	1,380	748	400	Shoumen Johnson	575	4.20	3.55	Yates Oil	12.10
550	680	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
600	700	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
650	720	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
700	740	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
750	760	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
800	780	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
850	800	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
900	820	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
950	840	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10
1000	860	Hawthorn	983	1,448	315	Midco Tulsa	1,380	909	478	Shoumen Johnson	575	4.80	4.07	Yates Oil	12.10

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370	770	588	950	770	4,280	2,080	Tokyo Corp.	4,170	7,61	5.70	KCI Asset	7,46
10	715	708	850	770	818	508	Tessell Corp.	675	2.95	1.42	Kidder's Gold	2.80
690	1,340	688	857	354	2,260	1,001	Telecom Pharm.	2,210	16.70	13.88	Land Lease	16.40
		4,610	800	670	625	308	Hydro Pathway	477	3	2.62	Lion Research	2.72
							Hydro Pathway	477				

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45	3.9	PCB
13	2.8	PCB
70	5.5	PCB
100	2.1	PCB
78	1.5	PCB
230	4.3	PCB

America	6-1	96.58	97.61	102.74	-4508	Grains	6-1	83.06	84.05	87.33	2.5	4501
Japan	6-1	62.93	62.61	68.24	-4610	Support Grains	6-1	88.78	88.13	94.13	2.5	4502
Europe	6-1	78.78	78.33	83.60	-4604	Securities	6-1	93.70	94.17	97.70	2.5	4503
Asia	6-1	81.85	81.73	86.82	-4601	Real Estate	6-1	82.88	82.88	88.00	2.5	4504
South	6-1	74.17	74.17	78.87	-4602	Managers	6-1	71.22	71.40	76.73	2.5	4505

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For details call the ET Clothing Help Desk on (071) 873 4378

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Crisis continues

AFTER last Friday's unprecedented turmoil in the European exchange rate mechanism, dealers were still waiting last night to see whether the Bundesbank and the Bank of France would renege the currency grid or suspend the system, writes James Ritchie.

At the end of trading on Friday night, three currencies, the French franc, the German mark and the Danish krone were at, or slightly above, their floors against the D-Mark in the ERM. Both the French and German central banks had intervened heavily in support of the French franc, possibly to the tune of DM500bn.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Yesterday, dealers in London were wondering how they would respond in the event of various outcomes to the crisis. In the event that the system is suspended, the French franc could come under more selling pressure. But Mr Paul

Cherikow, global currency strategist at UBS, said that the franc could rebound above its national ERM floor against the D-Mark because France's fundamental economic position is so strong.

A strong alternative to suspension was that the hands for the franc and Danish krone could be widened, perhaps to 6 per cent, allowing the franc to drop further while maintaining its central parity.

But Mr Ian Barnett, an economist at Societe Generale Strauss Turnbull, said this would have to be accompanied by German interest rate cuts which would then allow France to ease monetary policy. If that did not happen, the market could try to test the new floor for the French franc and other currencies in the near future.

Dealers will keep a close watch on the threatened devaluation of the ERM as the system is suspended. The French franc could come under more selling pressure. But Mr Paul

POUND SPOT - FORWARD AGAINST THE POUND

US	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

US	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

EXCHANGE CROSS RATES

July 30	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

EURO-CURRENCY INTEREST RATES

July 30	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

FT LONDON INTERBANK FIXING

July 30	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

MONEY RATES

July 30	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

LONDON MONEY RATES

July 30	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

FT-ACTUARIES WORLD INDICES

July 30	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

LONDON SHARE SERVICE

July 30	Day's	Open	Close	One month	Three months	Six months	One year
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm
1.4700	1.4695	1.4695	1.4695	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm	0.35-0.35pm

Continued on page 10

BRITISH FUNDS

INVESTMENT TRUSTS - Cont.**INVESTMENT TRUSTS - Cont.**[illegible][illegible][illegible][illegible][illegible]

	3
	Total Income
	60.22
	94.89
	94.89
	68.11
	43.62
	37.49
	26.91
	5.52
	7.57
	1.57
	0.46
	1.89
	2.50
	-1.23
	.03
	.86
	.82
	.41
	.23
	.63
	.03
	.86
	.79
	.35
	.38
	.14
	.79
	.70
	.2
	.0
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4 pm close July 30

TECHNOLOGY THAT WORKS FOR LIFE

Samsung 8mm Camcorder



8 Times Power Zoom
Palm-Size

SAMSUNG
ELECTRONICS

Continued on next page

FINANCIAL TIMES MONDAY AUGUST 2 1993
4 pm close July 30
NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

Table with multiple columns listing NYSE Composite Prices. Includes columns for stock symbols, prices, and changes. Includes a sub-section for 'NEW LISTINGS'.

Table with multiple columns listing NASDAQ National Market prices. Includes columns for stock symbols, prices, and changes. Includes a sub-section for 'NEW LISTINGS'.

AMEX COMPOSITE PRICES

Table with multiple columns listing AMEX Composite Prices. Includes columns for stock symbols, prices, and changes.

Table with multiple columns listing additional market data. Includes columns for stock symbols, prices, and changes.

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Table with multiple columns listing additional market data. Includes columns for stock symbols, prices, and changes.

MONDAY INTERVIEW

Cause of southern discomfort

Umberto Bossi, leader of Italy's Lombard League, speaks to Robert Graham

Punctuality, wrote Oscar Wilde, is the thief of time. Mr Umberto Bossi, leader of Italy's populist Lombard League, seems to have taken this dictum to heart. In a country where punctuality is usually honoured in the breach, Mr Bossi is supremely unpunctual.

Does this reflect his belief that he can set his own agenda or does he become so deeply involved in issues and people that he loses track of time? It is probably a mix of both. His aides despair of trying to organise his schedule; but they are fiercely loyal, attracted by his energy and boundless confidence in his self-appointed mission to change Italy.

As the interview begins - one and a half hours late - he tosses a police summons contemptuously into the waste paper basket. Hasn't he been warned that he faces prosecution for insulting the head of state, President Oscar Luigi Scalfaro, "I don't care," he says.

Mr Bossi can afford to be cavalier. He is the sole genuinely new leader to emerge in Italy at a crucial moment of political transition; and, unlike the discredited political class whose hegemony he is challenging, he owes favours to nobody. The League, founded in 1984 as a regional autonomy movement for Lombardy, is virtually his invention.

"First we set out to conquer the north... and look where we are now," he says in his gravelly voice. "Then we take over the south, and finally we march on Rome - like Garibaldi. It will be difficult, but we have begun to work on the south."

This may seem wishful thinking. But in the space of three years, the 51-year-old politician from Varese has propelled the League from an obscure regional grouping to a party that controls 40 per cent of the vote in the rich northern industrial belt of Italy. The Lombard League itself has spawned federations in neighbouring Piedmont, the Veneto, Liguria and Emilia Romagna.

The League now controls the administrations of a string of northern towns - including Milan, the capital. It has 80 seats in parliament, and Mr Bossi himself at the April 1992 general election received

239,000 votes - more than any other deputy.

"We are not separatists but federalists," he says. In the past six months, Mr Bossi has toned down his talk of separatism. But when separatist language does slip into public speeches this is Mr Bossi talking from the heart.

A hard core of League supporters embraces the idea of separatism. But Mr Bossi knows that the "honest voters" he needs to swell his ranks want to hear a more sober message touching on practical concerns of the day.

"The north is against centralised control of the state, against statism," he says. "We strongly support privatisation. Here in the north people work hard, they produce things; there are thousands of small and medium-sized industries. This is one of the most advanced regions of Europe. Our development cannot be held back by paying taxes to support the south."

"We are not anti-south; but we are against the way the south has been enslaved by the Christian Democrats and allowed to live off state hand-outs."

In other words, national resources have to be better and more fairly used. At a time of serious recession, the north wants to see more of its tax money ploughed back into job creation and infrastructure in the region. If not, Mr Bossi raises the threat of separatism, but less stridently now than a year ago.

Mr Bossi has learned fast to be a national figure and has tempered his crude vocabulary and use of Lombard dialect. Yet his conversation is still peppered with hyperbole and dogmatic assertion about the inevitable collapse of a corrupt ancient regime.

"The system is imploding under its own weight... The roof of the building has been falling in, the walls are crumbling. We have 4.5m people receiving fake disability pensions. We have allowed the national debt to pile up without control. It can't go on."

In one of his many brushes with the establishment, Mr Bossi encouraged his supporters not to buy treasury bills. But he now backs tracks, a recognition of the fact that his vote is made up of small traders and businessmen, worried savers and pensioners - just the kind of people who put



Albino Press Agency

'We are not separatists but federalists'

their savings in low taxed treasury bills.

"I didn't actually tell people not to buy treasury bills. I was saying that people here do not want to see their savings going towards propping up the regime's wasteful spending; public borrowing should go towards supporting productive investment. And if it doesn't do this voters should draw their own conclusions."

The same view applies to his controversial threat to institute a campaign of non-payment of taxes. This touches all

PERSONAL FILE

1941 Born in Cassano Magnago, near Varese.

1968 Drops out of Pavia university medical degree.

1982 Founding Lombard Autonomy League.

1984 Lombard League formalised, becomes leader.

1987 Elected senator.

1989 Elected leader of Federation of North League movements.

the right visceral chords of his League supporters. "When Rome is run by a bunch of robbers how can you expect people in the north to pay taxes?"

Significantly, with Mr Carlo Azeglio Ciampi, former governor of the Bank of Italy, now prime minister and a man long seen as guarantor of the small saver, Mr Bossi is less strident on this issue.

However he has not mellowed his tone or changed his stance in his opposition to corrupt local administration and national government. "Only the League and the magistrates [investigating the corruption scandals of illicit party

financing] have responded to the will for change. Together they are filling the political vacuum."

The League has been the main political beneficiary of the magistrates' investigations that are laying bare the depths of the traditional parties' corruption. Not surprisingly Mr Bossi opposes any curb on the magistrates' powers. "The magistrates cannot be stopped. The revolution must be allowed to go on until it loses its own momentum."

"Fresh elections are the only means of ending *Tagliatelli* [the corruption scandals]. We must go to the polls as soon as possible." The present legislature, with one in six parliamentarians under investigation, has no legitimacy, he adds.

Despite having been vociferous in demanding elections this autumn, he is now less dogmatic. "The longer we are kept waiting, the more our support grows," he says. "The sooner elections are held, the less time his opponents will have to recover their disarray and form new alliances."

Mr Bossi is disdainful of alliances. Most of the time, all the political parties - of every colour - are ranged against the League. "We don't mind people can see the rest are intent on holding up change."

Such determination to go it alone is perhaps rooted in his tough origins. League literature describes him as the son of a "Catholic worker" father and a mother of "small-holder origins". His origins are similar to many of his generation: the first to enjoy higher education and benefit from industrial modernisation in the north.

Mr Bossi failed to complete

Adult European partner wanted

The fate of the franc is more than a matter of French pride. It is the essential test of European monetary co-operation, and will determine the fate of European Monetary Union.

Few European politicians of stature have questioned these propositions in the currency turmoil of the past nine months. Still fewer have queried the assumptions behind EMU.

Now, in the moment of supreme crisis, many are predicting the collapse of the Exchange Rate Mechanism with dire consequences for European political and economic integration.

A paper on US-European Community relations by the Carnegie Endowment Institute for International Peace offers a more balanced picture of the EC's future. Whatever the disadvantages of distance from daily events, the authors have produced constructive proposals which are a welcome change from "all-or-nothing" mentality gripping many European policy-makers.

Mr Robert Zoellick, a former aide to Mr James Baker while he was US secretary of state, chaired the study. His premise is Americans should not magnify the EC's problems, but should instead pursue America's "strategic interest" in having an outward-looking, internationalist EC as an adult partner on the world stage.

Mr Zoellick writes: "The emergence of new economic and political obstacles should not be misperceived as a European rejection of the fundamental commitment to overcoming a destructive legacy through closer integration."

European integration will proceed - albeit in fits and starts - although its exact course is still an open question. The study's main proposal is the creation of a "transatlantic single market". That sounds like a cute re-working of European Commission President Jacques Delors' 1992 project to create a single European market covering the free movement of goods, services, capital and people. But the group is

more intent on drawing up new rules to defuse trade rivalries and head off the subsidy wars which currently plague the agricultural, textile and steel industries.

Other ideas include a protocol on foreign investment, reaffirming "national treatment" for European and US firms operating in their respective foreign markets; closer co-operation on industrial and environmental policies; and new rules providing for more predictable tax policy.

The implicit message in the paper is that Clinton should take a more activist approach to the EC's development. No historical parallels are perfect, but Mr Zoellick's inspiration may well be the Truman

sweetener - more involvement for the EC in international councils such as the Group of Seven industrialised nations - will not dispel the impression the US wants to slip a Trojan horse into Europe.

From Brussels's vantage, the most refreshing aspect of the paper is that it takes European aspirations for closer integration seriously. This should silence those in Europe who believe the US is part of an Anglo-Saxon plot to sabotage EMU, a notion which gained currency in the second battle for the franc last February.

Yet it remains true that many Americans find the European attachment to the Exchange Rate Mechanism and the convergence criteria on inflation, budget deficits and government debt baffling. They find it incomprehensible that Europeans are willing to suffer high unemployment for the questionable prize of fixed exchange rates.

This was the message behind last week's call by six leading economists at Massachusetts Institute of Technology for France to lead the way in the abandonment of the ERM. The Six Wise Men argued in the FT that Europe is repeating the mistake of the 1930s, when countries tried to hang on to the gold standard at any price.

The response in Brussels is unchanged. Mr Delors has argued that maintaining the franc-D-Mark parity aims to avoid the mistakes of the 1930s, when Europe fell victim to competitive devaluations.

The last 12 months have shown that the franc-D-Mark parity is less about economics and more about politics. It may be the men from MIT have overestimated the Bundesbank's power to set the EC's political course. Final judgment will rest on the response in Paris and Bonn.

Lionel Barber

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Return of the pessimists

We don't hear so much nowadays about the New World Order. After the fall of the Berlin Wall, you could hardly turn a page without stumbling over some novel prescription for perfect peace. If it was not The End of History, it was the model of the Solitary Superpower. And if it was not collective security in a pan-European confederation, it was the coming-of-age of the UN and emerging world government.

The utopians have mostly fallen silent now, because their recipes have curdled. Whatever Francis Fukuyama thought he meant, history continues to plague us in all of its familiar dimensions; and however glad we may be to see the back of the Old Order, the new world is characterised by a degree of disorder which far exceeds the capacity of our existing institutions to contain it.

At the time, the Gulf war was a heartening exploit of UN solidarity and American military leadership; with hindsight, it does not look so good. Only six months ago, the second Start agreement seemed a historic move to put the genie of nuclear holocaust back in the bottle; today it is re-emerging in Ukraine, Pakistan, North Korea and even, conceivably, Japan. And then there is Bosnia; even an agreement in Geneva would only mark a new phase of that particular nightmare.

Pessimists always expected things to go wrong, and policy analysts always emphasise the down-side. Otherwise they have nothing to sell. Sooner or later, one of the pessimistic policy analysts was bound to



IAN DAVIDSON
ON EUROPE

come along with a counter-theory, to explain why things will be just as bad as before, but for different reasons.

Samuel Huntington is professor of the Science of Government at Harvard. And his theory is that global politics will in future be dominated by the clash of civilisations. "The fault lines between civilisations," he says, "will be the battle lines of the future." That, is just the kind of sentence you would expect from a pessimistic policy analyst.

Mr Huntington identifies seven or eight large civilisations: Western, Confucian, Japanese, Islamic, Hindu, Slav, Orthodox, Latin American and perhaps African. And he suggests that the deep-seated differences between these civilisations may also become battle lines in future. The world is getting more crowded so people fall back on kin and kin. Economic modernisation weakens the nation state, so religion moves in to fill the gap. But economic modernisation also builds up regional economic integration. Finally, the power of the West, now at an all-time peak, provokes the other civilisations to return to their cultural roots.

Central to the Huntington hypothesis is the idea that these civilisations will be not just distinct but antagonistic. And the future, will be defined by relations between the West and the Rest. These relations will be essentially conflictual, because there cannot be a world civilisation of universal values transcending cultural differences. "Western ideas of individualism, liberalism, constitutionalism, human rights, equality, liberty, the rule of law, democracy, free markets," he says, "often have little resonance in Islamic, Confucian, Japanese, Hindu, Buddhist or Orthodox cultures." In particular, there is a deep-seated antagonism over political and human rights values.

The West is now "at an extraordinary peak of power", according to Mr Huntington. As a result, the strategic postures of other civilisations will be defined by their attitudes to the West; and they have three broad options. They can choose isolation, like Burma and North Korea; they can try to join the West, like Mexico; or they can modernise while seeking allies against the West, like the countries of South East Asia. But the most likely prospect, according to Huntington, will be conflict between the West and several Islamic-Confucian states.

To meet this threat, the West needs to promote greater solidarity within its own civilisation, especially between Europe and North America; to co-opt Europe and Latin America; and to co-operate with Russia and Japan. It must also maintain its economic and military

power to protect its interests.

The problem with the Huntington thesis, is that he does not provide convincing arguments for expecting the age-old antagonisms between civilisations to get much worse in future. The rise of fundamentalism in India and the world of Islam, or the growth of regional trading arrangements around the world, do not seem adequate reasons.

On the other hand, there is one development which could easily cause antagonism between civilisations to degenerate into conflict, and that would be a serious shift in power relationships between them. Mr Huntington asserts the West is at a peak of its power, as if this were a peak on which it could expect to remain. But it is more likely that Western power is really at a high water-mark, shortly before the tide starts to ebb.

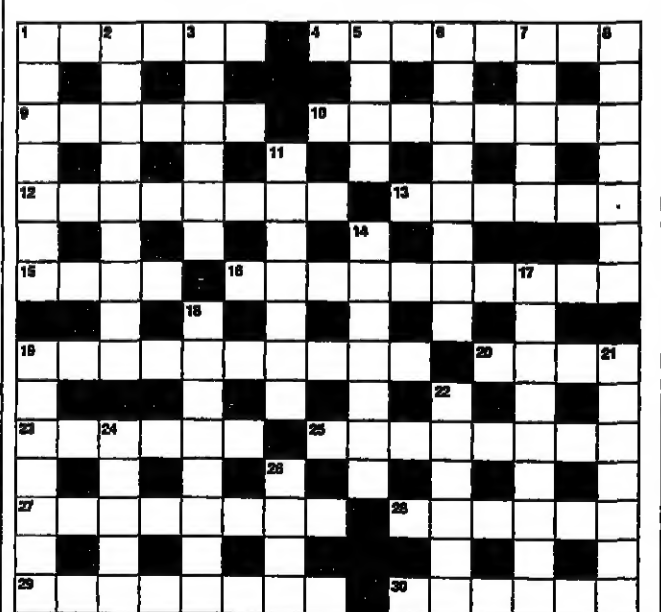
Fifty years ago, the US totally dominated the world economy. It is now rivalled by Europe and Japan. In a generation it could be challenged by China. Europe is a partner in the Western civilisation. Japan professes an uneasy associate membership of the West. But China will always be another civilisation. For hundreds of years the West has dominated the world economy, because it controlled technology and dictated the terms of trade. In future, technology will be more equally accessible, and others will start determining terms of trade. It is this which will bring the clash of civilisations.

*The Clash of Civilisations? Samuel P. Huntington, in *Foreign Affairs*, Summer 1993, 58 East 68th St, New York

Of broking and jolting the Pelikan's fond.
See how sweetly he puts your word onto bond.
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- | | |
|--|--|
| ACROSS | DOWN |
| 1 Controlled by banks, this dies capital (6) | 1 Moving passage from Tristan (7) |
| 4 Regard as deliberate (8) | 2 Northern city road (9) |
| 9 Believe one will agree to an invitation? (6) | 3 Discovery means' plea is changed (6) |
| 10 Kept away from soft food (5,3) | 5 One shouldn't lie under it (4) |
| 12 A free boarder (8) | 6 Open chest that reveals the strength of one's hand (3) |
| 13 The single boy in a family is very much a favourite (4,2) | 7 The wastage is very large among doctors (6) |
| 15 Conceited fellow given to publicity (4) | 8 Cultured and splendid in crimson (7) |
| 16 A sphere lacking reality (5,5) | 11 A sort of fire screen (7) |
| 19 Urge a chap to become a PR man (5,5) | 12 Receiver heading for one's home - it's serious (7) |
| 20 Tall cut to a point (4) | 13 Stacks fruit vehicles (9) |
| 22 Arrested, but made a nimble getaway (6) | 14 Insisted on a fresh dessert (8) |
| 23 Two fools in murderous combination (8) | 15 Criticise long dash (7) |
| 27 What a change it makes to one's winnings! (8) | 21 A unit is ordered to somewhere in N. Africa (7) |
| 28 Sarah's crazy to worry (6) | 22 Country girl on the vessel (6) |
| 29 Reforming me in the finish (8) | 24 Sound of harmony is musical composition (5) |
| 30 Ill feeling (8) | 26 Article concerning the unknown (4) |

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 14.